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STATE OF KANSAS

REPORT ON FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133 YEAR ENDED JUNE 30, 2006



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STATE OF KANSAS
REPORT ON FEDERAL AWARDS IN ACCORDANCE
WITH OMB CIRCULAR A-133

Year Ended June 30, 2006

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Legislative Post Audit Committee
Kansas State Legislature

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Kansas (the State) as of and for the year ended June 30, 2006, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 30, 2006. We did not audit the financial statements of the various component units of the six state universities which represent 33 percent and 27 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the six state universities' aggregate discretely presented component units, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the State of Kansas Legislative Post Audit Committee, management, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Allen, Gibbs & Houlik, L.C.

December 30, 2006

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Legislative Post Audit Committee
Kansas State Legislature

Compliance

We have audited the compliance of the State of Kansas (the State) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The State's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

The State's basic financial statements include the operations of the six state universities, whose various component units received federal awards which are not included in the schedule of expenditures of federal awards during the year ended June 30, 2006. Our audit, described below, did not include the operations of the various component units of the six state universities because the university component units engaged other auditors to perform audits in accordance with OMB *Circular A-133*. The schedule of expenditures of federal awards does include the federal awards received by Kansas Housing Resources Corporation, a component unit of the State.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.

As described in Finding 06-6, in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding eligibility that are applicable to its Temporary Assistance for Needy Families grant program. Compliance with such requirements is necessary, in our opinion, for the State to comply with requirements applicable to that program.



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In our opinion, except for the effects of such noncompliance, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings Nos. 06-1 through 06-5 and 06-7 through 06-22.

Internal Control Over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of and for the year ended June 30, 2006, and have issued our report thereon dated December 30, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The federal awards of the State's component units are included in the single audits of those agencies and therefore the accompanying schedule of expenditures of federal awards does not include these federal awards.

This report is intended solely for the information and use of the State of Kansas Legislative Post Audit Committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Allen, Gibbs & Houlik, L.L.C.

Berberich Trahan & Co., P.A.

December 30, 2006

STATE OF KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal CFDA/Contract Number	Federal Grantor/Program/Pass-Through Grantor	Received Indirectly	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
DEPARTMENT OF AGRICULTURE						
Direct:						
10.000	Non-catalog miscellaneous		\$ 261,344			
10.000	Non-catalog miscellaneous - R&D		84,659		\$ 14,040	
10.000	Non-catalog miscellaneous - R&D		25,000			
10.000	Non-catalog miscellaneous - R&D		10,196			
10.000	Non-catalog miscellaneous - R&D		346,057		4,173	
10.000	Solid Waste Management/Arid Landfill Operations		78,238			
10.000	Contract for Grain Bin Site Investigations		52,102			
10.001	Agricultural Research - Basic and Applied Research - R&D		1,425			
10.025	Plant and Animal Disease, Pest Control and Animal Care - R&D		1,002,631		337,076	
10.069	Conservation Reserve Program - R&D		686			
10.200	Grants for Agricultural Research, Special Research Grants - R&D		3,639,784		1,760,151	
10.203	Payments to Agricultural Experiment Stations under the Hatch Act - R&D		4,187,969		321,291	
10.206	Grants for Agricultural Research - Competitive Research Grants - R&D		2,212,049		20,032	
10.210	Food and Agricultural Sciences National Needs Graduate Fellowship Grants - R&D		52,247			
10.212	Small Business Innovation Research - R&D		27,129			
10.217	Higher Education Challenge Grants - R&D		218,233		101,347	
10.250	Agricultural and Rural Economic Research - R&D		18,346			
10.302	Initiative for Future Agriculture and Food Systems - R&D		124,945		65,456	
10.303	Integrated Programs - R&D		1,322,759		208,457	
10.304	Homeland Security - Agricultural - R&D		780,782		311,975	
10.352	Value-added Producer Grants - R&D		159,929			
10.435	State Mediation Grants - R&D		446,553			
10.450	Crop Insurance - R&D		195,009		3,391	
10.455	Community Outreach and Assistance Partnership Program - R&D		82,505			
10.458	Partnership Agreements to Develop Non-Insurance Risk Management Tools - R&D		80,256			
10.457	Commodity Partnerships for Risk Management Education - R&D		249,684		69,247	
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection - R&D		7,127			
10.477	Meat, Poultry, and Egg Products Inspection		1,874,446			
10.500	Cooperative Extension Service - R&D		8,478,723		1,384,757	
Child Nutrition Cluster:						
10.553	School Breakfast Program	\$ 15,122,940			14,903,126	
10.555	National School Lunch Program	70,808,265			70,395,161	
10.556	Special Milk Program for Children	145,256			145,256	
10.559	Summer Food Service Program for Children	1,519,042			1,394,914	
Total Child Nutrition Cluster						
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children		87,595,505			
10.558	Child and Adult Care Food Program		53,271,694		51,153,486	
10.559	State Administrative Expenses for Child Nutrition		30,519,153		30,268,290	
10.560	State Administrative Expenses for Child Nutrition		1,370,761			
10.561	State Administrative Matching Grants for Food Stamp Program		19,934,338		32,313	
10.565	Commodity Supplemental Food Program		384,637		166,511	
Emergency Food Assistance Cluster:						
10.568	Federal Surplus Food Distribution	436,562				
Total Emergency Food Assistance Cluster						
10.574	Team Nutrition Grants		436,652			
10.576	Senior Farmers Market Nutrition Program		151,572		208,505	
10.600	Foreign Market Development Cooperator Program - R&D		208,505			
10.604	Cooperative Forestry Assistance - R&D		66,643		31,000	
10.677	Forest Land Enhancement Program - R&D		1,554,663			
10.679	Business Enterprise Grants - R&D		32,750			
10.776	Ag Innovation Center Grant - R&D		44,910		30,255	
10.901	Resource Conservation and Development - R&D		236,306			
10.902	Soil and Water Conservation - R&D		25,027			
10.903	Soil Survey - R&D		801,384			
10.912	Equip - Stream Bank Stabilization		43,053			
10.914	Wildlife Habitat Incentive Program		26,120			
10.991	Scientific Cooperation and Research - R&D		225,000			
10.992	International Training - Foreign Participant - R&D		15,184			
TOTAL DEPARTMENT OF AGRICULTURE						
				222,723,442	\$ 173,370,311	
DEPARTMENT OF COMMERCE						
Direct:						
11.114	Special American Business Internship Training Program - R&D		1,980			
11.303	Economic Development-Technical Assistance - R&D		125,705			
11.550	Public Telecom Facilities Planning and Construction		18,620			
11.609	Measurement and Engineering Research Standards - R&D		88,185			

STATE OF KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal CFDA/Contract Number	Federal Grantor/Program/Pass-Through Grantor	Received Indirectly	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
11.611	Manufacturing Extension Partnership		2,795,246		2,795,246	
11.612	Advanced Technology Program		49,964			
	TOTAL DEPARTMENT OF COMMERCE			3,080,690		2,795,246
	DEPARTMENT OF DEFENSE					
	Direct:					
12.000	Non-catalog miscellaneous - R&D		9,782,565		1,541,853	
12.000	Non-catalog miscellaneous - R&D		3,211,217		327,125	
12.000	DACW5600M0026 - Seneca Ispedeza (#695) - R&D		5,804			
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services		234,820			
12.300	Basic and Applied Scientific Research - R&D		1,885,555		1,005,287	
12.400	Military Construction, National Guard		1,614,283			
12.401	National Guard Military Operations and Maintenance (O&M) Projects		14,337,301			
12.402	NG Special Military Operations and Projects		8,105,393			
12.404	NG Civilian Youth Opportunities Program		465,003			
12.405	NG Drug Interdiction and CI Drug Activities		12,266			
12.420	Military Medical Research and Development - R&D		276,783			
12.431	Basic Scientific Research - R&D		551,658		31,659	
12.630	Basic, Applied, and Advanced Research in Science and Engineering - R&D		120,259			
12.800	Air Force Defense Research Sciences Program - R&D		620,606		34,895	
12.901	Mathematical Sciences Grant Program (#672)		5,540			
	TOTAL DEPARTMENT OF DEFENSE			41,233,873		2,940,819
	DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
	Direct:					
	Section 8 Project-Based Cluster:					
14.195	Section 8 Housing Assistance Payments Program - Special Allocations	41,117,156			41,117,156	
	Total Section 8 Project-Based Cluster		41,117,156			
14.228	Community Development Block Grants/State's Program		24,417,912		23,706,401	
14.231	Emergency Shelter Grants Program		1,104,503		1,076,441	
14.235	Homeless Management Information Systems		40,593		40,593	
14.239	Home Investment Partnerships Program		10,798,752		10,057,552	
14.241	Housing Opportunities for Persons with AIDS (HOPWA)		558,594			
14.248	Community Development Block Grants		39,109			
14.512	Community Development Work-Study Program		41,673			
14.517	Early Doctoral Student Research Grants - R&D		6,023			
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing		1,275,914			
	Indirect:					
14.228	Community Development Block Grants - State's Program	City of Topeka	100,212			
	TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			79,503,537		76,006,163
	DEPARTMENT OF THE INTERIOR					
	Direct:					
15.000	Non-catalog miscellaneous - R&D		135,943			
15.000	Non-catalog miscellaneous - R&D		25,266			
15.222	Cooperative Inspection Agreements with States and Tribes - R&D		11,473			
15.228	Wildland and Urban Interface Community and Rural Fire Assistance - R&D		19,578			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining		87,595			
15.252	Abandoned Mine Land Reclamation (AMLR) Program		1,723,911			
	Fish and Wildlife Cluster:					
15.605	Sport Fish Restoration	4,527,105				
15.611	Wildlife Restoration	3,995,743				
	Total Fish and Wildlife Cluster		8,522,848			
15.608	Fish and Wildlife Management		27,727			
15.615	Endangered Species		43,527			
15.625	Wildlife Conservation Restoration		172,980			
15.632	Conservation Grants Private Stewardship for Imperiled Species - R&D		51,453			
15.633	Landowner Incentive Program		118,399			
15.634	State Wildlife Grants - R&D		767,895		80,561	
15.635	Neotropical Migratory Bird Conservation - R&D		1,547			
15.605	Assistance to State Water Resources Research Institutes - R&D		104,765		37,262	
15.608	U.S. Geological Survey--Research and Data Collection - R&D		326,368			
15.611	Gap Analysis Program - R&D		150,266		18,821	
15.612	Cooperative Research Units Program - R&D		60,248			

STATE OF KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal CFDA/Contract Number	Federal Grantor/Program/Pass-Through Grantor	Received Indirectly	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
15.504	NPS Preservation Grants in Aid - R&D		557,542		219,621	
15.914	National Register of Historic Places - R&D		1,225			
15.916	Outdoor Recreation - Acquisition, Development and Planning		906,702		382,441	
TOTAL DEPARTMENT OF THE INTERIOR				13,917,980		718,726
DEPARTMENT OF JUSTICE						
Direct:						
16.202	Serious & Violent Offender Reentry Initiative		455,488		248,309	
16.523	Juvenile Accountability Incentive Block Grants		969,735		555,041	
16.540	Juvenile Justice and Delinquency Prevention		473,868		283,224	
16.541	Developing, Testing and Demonstrating Promising New Programs - R&D		137,072			
16.548	Title V		338			
16.549	Part E State Challenge Activities		22		22	
16.550	State Justice Statistics (SJS)		12,078			
16.554	National Criminal History Improvement Program		294,121			
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants		207,652		44,775	
16.562	Criminal Justice Research and Develop - Graduate Research Fellowships		5,271			
16.564	Crime Laboratory Improvement - Combined Offender DNA Index System Backlog Reduction		34,902			
16.575	Crime Victim Assistance		4,508,696		4,246,239	
16.576	Crime Victim Compensation		593,610			
16.579	Edward Byrne Memorial Formula Grant Program		2,159,415		1,052,602	
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program		130,951			
16.586	Violent Offender Incarceration and Truth-In-Sentencing Incentive Grants		1,042,990			
16.588	Violence Against Women Formula Grant		1,267,999			
16.592	Local Law Enforcement Block Grants		3,637			
16.593	Residential Substance Abuse Treatment for State Prisoners		376,843			
16.601	Corrections Training and Staff Development		8,895			
16.606	State Criminal Alien Assistance Program		290,269			
16.609	Project Safe Neighborhoods - R&D		487,071		309,757	
16.710	Public Safety Partnership and Community Policing Grants - R&D		1,773,630			
16.727	Enforcing Underage Drinking Laws Program		350,348			
16.738	Edward Byrne Memorial Justice Assistance Grant Program		2,277,050		947,763	
16.741	Forensic DNA Capacity Enhancement Program		46,316			
Indirect:						
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	Wichita Police Department	5,864			
16.589	Rural Domestic Violence and Child Victimization Enforcement Grant Program	Kansas Coalition of Sexual & Domestic Violence	20,641			
TOTAL DEPARTMENT OF JUSTICE				17,965,775		7,707,732
DEPARTMENT OF LABOR						
Direct:						
17.002	Labor Force Statistics		1,135,518			
17.005	Compensation and Working Conditions		77,485			
Employment Service Cluster:						
17.207	Employment Service/Wagner-Peyser Funded Activities		7,436,592		234,805	
17.801	Disabled Veterans' Outreach Program (DVOF)		875,019			
17.804	Local Veterans' Employment Representative Program		550,076			
Total Employment Service Cluster				9,061,689		
17.225	Unemployment Insurance *		259,135,050			
17.235	Senior Community Service Employment Program		608,372		790,395	
17.245	Trade Adjustment Assistance		7,774,466			
WIA Cluster:						
17.258	WIA Adult Program		6,870,194		4,604,052	
17.259	WIA Youth Activities		7,659,112		5,103,947	
17.260	WIA Dislocated Workers		4,431,750		2,826,429	
Total WIA Cluster				18,971,086		
17.261	WIA Pilots, Demonstrations & Research Projects		408,145			
17.502	Occupational Safety and Health Research Grants-Susan Harwood Training Grants - R&D		121,116			
17.504	Consultation Agreements		555,887			
17.605	OSHA Data Initiative		79,149			
17.807	Transition Assistance Program		33,895			
Indirect:						
17.259	WIA Youth Activities	Salina Area Chamber of Commerce	14,591			
17.259	WIA Youth Activities	Hearland Works, Inc.	6,451			
TOTAL DEPARTMENT OF LABOR				298,183,111		13,558,638

STATE OF KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal CFDA/Contract Number	Federal Grantor/Program/Pass-Through Grantor	Received Indirectly	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
DEPARTMENT OF TRANSPORTATION						
Direct:						
20.000	Non-catalog miscellaneous - R&D		9,515			
20.000	Non-catalog miscellaneous - R&D		478,076			
20.002	Weather Shelter and Connecting Walkway		39,917			
20.005	Boating Safety Financial Assistance		491,236			
20.108	Aviation Research Grants - R&D		1,858,635			
20.109	Air Transportation Centers of Excellence - R&D		2,865,504			
Highway Planning and Construction Cluster:						
Highway Planning and Construction						
20.205		359,496,335			4,133	
Total Highway Planning and Construction Cluster						
20.215	Highway Training and Education - R&D		359,496,335			
20.218	National Motor Carrier Safety - R&D		159,261			
20.219	Recreational Trails Program		3,520,373		29,881	
Federal Transit Cluster:						
Federal Transit - Capital Investment Grants						
20.500		3,181,435				
Total Federal Transit Cluster						
20.505	Federal Transit - Metropolitan Planning Grants		3,181,435			
20.509	Formula Grants for other than Urbanized Areas		2,121,344			
20.514	Transit Planning and Research - R&D		3,975,178			
20.515	FTA		313,511			
Highway Safety Cluster:						
20.600	State and Community Highway Safety	5,115,993				
20.603	Federal Highway Safety Data Improvements Incentive Grants	13				
20.604	Safety Incentive Grants for Use of Seatbelts	99,794				
Total Highway Safety Cluster						
20.700	Pipeline Safety		5,215,800			
20.701	University Transportation Centers Program - R&D		539,808			
20.703	Hazardous Materials Emergency Preparedness (HMEP) Training and Planning Grants		31,195		262,097	
			277,802			
TOTAL DEPARTMENT OF TRANSPORTATION				365,288,795		747,887
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION						
Direct:						
30.002	Employment Discrimination-State and Local Fair Employment Practices Agency Contracts		361,568			
TOTAL EQUAL EMPLOYMENT OPPORTUNITY COMMISSION				361,568		-
GENERAL SERVICES ADMINISTRATION						
Direct:						
39.000	Non-catalog miscellaneous - R&D		3,161			
39.011	HAVA Title I - "early money"		514,626			
TOTAL GENERAL SERVICES ADMINISTRATION				517,787		-
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION						
Direct:						
43.000	Non-catalog miscellaneous - R&D		552,660		22,584	
43.000	Non-catalog miscellaneous - R&D		27,703			
43.000	Non-catalog miscellaneous - R&D		371,319		47,490	
43.001	Aerospace Education Services Program - R&D		2,732,710			
43.002	Technology Transfer - R&D		116,514		56,560	
TOTAL NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				3,801,206		136,534
NATIONAL ENDOWMENT FOR THE HUMANITIES						
Direct:						
45.000	Non-catalog miscellaneous - R&D		12,532			
45.024	Promotion of the Arts Grants to Organizations and Individuals - R&D		26,190			
45.025	Promotion of the Arts Partnership Agreements - R&D		625,834			
45.303	Conservation Project Support - R&D		1,296			
45.310	Grants to States - R&D		1,519,252		344,272	
45.312	National Leadership Grants - R&D		120,991			
TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES				2,307,205		344,272
NATIONAL SCIENCE FOUNDATION						
Direct:						
47.000	Non-catalog miscellaneous - R&D		101,257			
47.000	Non-catalog miscellaneous - R&D		574,344			
47.041	Engineering Grants - R&D		1,082,187		326	
47.049	Mathematical and Physical Sciences - R&D		2,841,125		275,081	

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Federal CFDA/Contract Number	Federal Grantor/Program/Pass-Through Grantor	Received Indirectly	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
47.050	Geosciences - R&D		231,070			
47.070	Computer and Information Science and Engineering - R&D		956,181		92,037	
47.074	Biological Sciences - R&D		4,747,738		351,171	
47.075	Social, Behavioral, and Economic Sciences - R&D		717,278			
47.076	Education and Human Resources - R&D		3,040,425		58,653	
47.078	Polar Programs - R&D		281,458			
47.079	International Science and Engineering (OISE) - R&D		23,262			
	TOTAL NATIONAL SCIENCE FOUNDATION			14,506,336		778,268
	SMALL BUSINESS ADMINISTRATION					
	Direct:					
59.037	Small Business Development Center		1,192,032			
	TOTAL SMALL BUSINESS ADMINISTRATION			1,192,032		
	DEPARTMENT OF VETERAN AFFAIRS					
	Direct:					
64.030	Non-catalog miscellaneous - R&D		97,631			
64.203	KS Veterans Cemetery at Wakeeney		102,823			
	TOTAL DEPARTMENT OF VETERAN AFFAIRS			200,454		
	ENVIRONMENTAL PROTECTION AGENCY					
	Direct:					
66.000	Non-catalog miscellaneous - R&D		9,902			
66.000	Non-catalog miscellaneous - R&D		44,346			
66.000	Non-catalog miscellaneous - R&D		65,783			
66.001	Air Pollution Control Program Support		1,167,777		284,567	
66.032	State Indoor Radon Grants - R&D		272,851			
66.034	Surveys-Studies-Investigations relating to the Clean Air Act - R&D		480,289		266,745	
66.419	Water Pollution Control State, Interstate, and Tribal Program Support - R&D		39,476			
66.433	State Underground Water Source Protection		356,425			
66.436	Surveys-Studies and Investigations-Grants & Cooperative Agreements		57,227			
66.454	Water Quality Management Planning		80,743			
66.458	Capitalization Grants for Clean Water State Revolving Funds		12,324,709			
66.460	Nonpoint Source Implementation Grants - R&D		4,484,974		1,950,508	
66.481	Wetlands Grants		99,241			
66.487	Wastewater Operator Training Grant Program (Technical Assistance)		24,375		20,375	
66.469	Capitalization Grants for Drinking Water State Revolving Funds		9,620,551			
66.470	Herdsman Grant Program for Rural Communities		343,108		343,109	
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs		193,184		25,045	
66.474	Water Protection Grants to the States		315,399			
66.500	Environmental Protection- Consolidated Research - R&D		287,893			
66.509	Science to Achieve Results (STAR) Program - R&D		130,563		23,762	
66.605	Performance Partnership Grants		4,121,025			
66.606	Surveys, Studies, Investigations and Special Purpose Grants - R&D		20,808			
66.507	Training and Fellowships for the Environmental Protection Agency - R&D		1,003			
66.508	Environmental Information Exchange Network Grant Program and Related Assistance		284,231			
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals		428,748			
66.708	Pollution Prevention Grants Program - R&D		150,162			
66.716	Surveys, Studies, Investigations, Training Demonstrations and Educational Outreach - R&D		17,577			
66.717	Source Reduction Assistance - R&D		35,440			
66.801	Hazardous Waste Management State Program Support		1,063,786			
66.802	Superfund State, Political Subdivision, and Indian Tribe Site Specific Cooperative Agreements		541,398			
66.804	State and Tribal Underground Storage Tanks Program		175,516			
66.805	Leaking Underground Storage Tank Trust Fund Program		921,636			
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements		211,235			
66.814	Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements - R&D		73,392			
66.817	State and Tribal Response Program Grants		1,121,236			
	TOTAL ENVIRONMENTAL PROTECTION AGENCY			39,537,712		2,914,111
	DEPARTMENT OF ENERGY					
	Direct:					
81.000	Non-catalog miscellaneous - R&D		77,509			
81.000	Non-catalog miscellaneous - R&D		941,485		19,928	
81.041	State Energy Program - R&D		521,491		23,354	
81.042	Weatherization Assistance for Low-Income Persons		2,194,701		1,962,910	
81.049	Office of Science Financial Assistance Program - R&D		4,423,328		255,465	
81.086	Conservation Research and Development - R&D		42,801			
81.087	Renewable Energy Research and Development - R&D		115,888			

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81.089	Fossil Energy Research and Development - R&D		422,658		35,400	
81.113	Defense Nuclear Nonproliferation Research - R&D		96,713			
81.114	University Reactor Infrastructure and Education Support - R&D		403,204			
81.117	Energy Efficiency and Renewable Energy Information		22,253			
81.119	State Energy Program Special Projects		144,790		24,504	
81.121	Nuclear Energy Research, Development and Demonstration - R&D		118,968			
	TOTAL DEPARTMENT OF ENERGY			9,525,789		2,321,992
	DEPARTMENT OF EDUCATION					
	Direct:					
84.000	Non-catalog miscellaneous - R&D		15			
84.000	Non-catalog miscellaneous - R&D		133,348			
84.000	Non-catalog miscellaneous - R&D		35,411			
84.000	Early Childhood Development Services		44,081			
84.000	Coordinated School Health Program		143,345			
84.000	Special Child Clinic Program		5,900			
84.000	Make a Difference Networks		31,192			
84.002	Adult Education - State Grant Program		3,930,123		3,553,117	
84.004	Civil Rights Training and Advisory Services - R&D		807,532			
84.007	Federal Supplemental Educational Opportunity Grant - R&D		2,050,759		213,268	
84.010	Title I Grants to Local Educational Agencies		81,584,975		80,749,942	
84.011	Migrant Education - State Grant Program		10,247,798		9,870,443	
84.013	Title I Program for Neglected and Delinquent Children		585,436		136,633	
84.016	Undergraduate International Studies and Foreign Language Programs - R&D		81,176			
	Special Education Cluster:					
84.027	Special Education - Grants to States	94,077,251			91,836,881	
84.173	Special Education - Preschool Grants	4,460,689			4,324,723	
	Total Special Education Cluster		98,537,940			
84.031	Title III Strengthening Institutions (#472)		411,630			
84.032	Federal Family Education Loan Program		133,982,614		21,188,094	
84.033	Federal Work-Study Program		3,639,931		476,505	
84.038	Federal Perkins Loan Program - Federal Capital Contributions		3,629,257		66,764	
	TRIO Cluster:					
84.042	TRIO - Student Support Services	1,580,996				
84.044	TRIO - Talent Search	487,232				
84.047	TRIO - Upward Bound	1,961,925				
84.066	TRIO - Educational Opportunity Centers	202,594				
84.217	McNair Post-Baccalaureate Achievement - R&D	475,573				
	Total TRIO Cluster		4,708,320			
84.048	Vocational Education - Basic Grants to States		11,667,488		10,540,337	
84.063	Federal Pell Grant Program		41,460,834		4,677,732	
84.069	Leveraging Educational Assistance Partnership		595,443		256,040	
84.116	Fund for the Improvement of Postsecondary Education - R&D		700,874		2,036	
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States		27,178,194		16,659,250	
84.141	Migrant Education - High School Equivalency Program - R&D		424,154		267,312	
84.153	Business and International Education Projects - R&D		194,695			
84.169	VR Independent Living Grant		251,075		250,985	
84.177	Rehabilitation Services - Independent Living Services for Older Individuals who are Blind		390,785		16,653	
84.181	Special Education - Grants for Infants and Families with Disabilities		4,133,991		3,225,658	
84.184	Community Service for Expelled/Suspended Students		450,695		13,696	
84.185	Robert C. Byrd Honors Scholarship		394,929		394,929	
84.186	Safe and Drug-Free Schools and Communities - State Grants		3,405,858		3,297,200	
84.187	VR Supported Employment		300,164		300,164	
84.195	Bilingual Education - Professional Development - R&D		3,145,751		248,038	
84.196	Education for Homeless Children and Youth		332,151		303,034	
84.200	Graduate Assistance in Areas of National Need		72,678			
84.213	Even Start - State Educational Agencies		1,349,399		1,267,995	
84.215	Fund for the Improvement of Education - R&D		171,470			
84.224	Assistive Technology - R&D		424,875			
84.235	Rehabilitation Services Demonstration and Training Programs		223,007			
84.243	Tech-Prep Education		1,143,861		1,101,772	
84.255	Life Skills for a Crime-Free Lifetime		195,106			
84.265	VR Training		62,024			
84.268	Federal Direct Student Loans		94,603,546			
84.281	Eisenhower Prof Development State Grant		11,105		8,442	
84.282	Charter Schools		2,602,708		2,512,844	
84.287	Twenty-First Century Community Learning Centers		6,349,017		6,038,050	
84.298	State Grants for Innovative Programs		1,982,247		1,494,647	
84.318	Education Technology State Grants		3,439,614		3,285,544	
84.323	Special Education-State Personnel Development - R&D		718,974		286,852	
84.325	Special Ed_Personnel Preparation to Improve Services and Results for Children with Disabilities		68			

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84.326	Deaf/Blind Centers		210,674			
84.330	Advanced Placement Fee Payment Program		20,958			
84.331	Grants to State for Workplace and Community Transition Training for Incarcerated Youth Offenders		107,163			
84.332	Comprehensive School Reform Demonstration		2,131,238		2,022,025	
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs - R&D		2,893,772			
84.335	Child Care Access Means Parents in School - R&D		77,507			
84.336	Teacher Quality Enhancement Grants - R&D		1,839,580		546,718	
84.346	Career Resource Network State Grant		25,878			
84.350	Transition to Teaching		134,478		4,540	
84.357	Reading First State Grants		6,788,267		5,124,005	
84.358	Rural Education Achievement Program		31,849		22,924	
84.359	Early Reading First - R&D		929,032		527,515	
84.365	English Language Acquisition Grants		2,369,821		2,281,799	
84.366	Mathematics & Science Partnership		956,351		761,227	
84.367	Improving Teacher Quality State Grants		22,212,447		20,677,863	
84.369	Grants for State Assessments and Related Activities		7,480,539			
84.602	National Assessment of Educational Progress		64,596			
84.928	National Writing Project Model - R&D		48,853			
84.938	Emergency Impact Aid for Displaced Students		900,900		900,900	
TOTAL DEPARTMENT OF EDUCATION				602,183,046		301,833,490
ELECTION ASSISTANCE COMMISSION						
Direct:						
90.401	Help America Vote Act Requirements Payments		2,728,238			
TOTAL ELECTION ASSISTANCE COMMISSION				2,728,238		
DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Direct:						
93.006	Non-catalog miscellaneous - R&D		2,971			
93.006	Non-catalog miscellaneous - R&D		89,804			
93.000	Non-catalog miscellaneous - R&D		229,055			
93.000	Non-catalog miscellaneous - R&D		502,305		45,382	
93.000	Non-catalog miscellaneous - R&D		53,885			
93.000	Non-catalog miscellaneous - R&D		280,637			
93.000	Clinical Laboratory Improvement		224,374			
93.000	National Center for Health Statistics (Vital Statistics Cooperative Program)		223,202			
93.000	Adult Lead Surveillance		19,630			
93.000	MSOA		95,215			
93.003	Public Health and Social Services Emergency Fund		4,377,767			
93.041	Title VII: Prevention of Elder Abuse, Neglect, and Exploitation		44,105		44,105	
93.042	Title VII: Long Term Care Ombudsman		103,517			
93.043	Title IIIID: Disease Prevention and Health Aging Cluster:		184,942		184,942	
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	3,406,394			3,285,872	
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	5,620,417			5,052,138	
93.053	Nutrition Services Incentive Program	1,824,179			1,824,179	
Total Aging Cluster			10,850,990			
93.046	Title IV and Title II Discretionary Projects (SMP)		38,388			
93.051	Alzheimer's Disease Demonstration Grant		73,998		73,998	
93.052	National Family Caregiver Support		1,330,954		1,329,290	
93.103	Food and Drug Administration - Research - R&D		80,948			
93.110	Maternal and Child Health Federal Consolidated Programs - R&D		243,644			
93.113	Biological Response to Environmental Health Hazards - R&D		314,285		37,858	
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		365,688		113,866	
93.124	Nurse Anesthetist Traineeships -R&D		7,719			
93.127	Emergency Medical Services for Children		179,149			
93.130	Primary Care Services Resource Coordination and Development		111,449			
93.136	Injury Prevention and Control Research and State and Community Based Programs		685,546		9,658	
93.150	PATH Block Grant - Assistance		365,942		360,944	
93.157	Centers of Excellence - R&D		417,705			
93.165	Grants to States for Loan Repayment Program		70,000		70,000	
93.173	Research Related to Deafness and Communication Disorders - R&D		985,941			
93.184	Disabilities Prevention		160,820			
93.189	Health Education and Training Centers - R&D		50,210			
93.191	Allied Health Special Projects - R&D		31,752			
93.192	Quentin N. Burdick Programs for Rural Interdisciplinary Training - R&D		14,975			
93.197	Childhood Lead Poisoning Prev. Projects & Surveillance of Blood Levels		493,852		141,803	
93.211	Rural Telemedicine Grants - R&D		108,428			
93.213	Research and Training in Complementary and Alternative Medicine - R&D		112,104			
93.217	Family Planning - Services		2,499,631		2,273,701	

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93.224	Community Health Centers		541,307		72,000	
93.230	Kansas Infrastructure Grant - R&D		154,179			
93.231	Epidemiology Cooperative Agreements		100,000			
93.234	KS Traumatic Brain Injury Systems Development		113,688			
93.235	Abstinence Education Program		317,360		207,708	
93.239	Child Welfare Wrap-Around Service Delivery		77,554		23,810	
93.241	Rural Health Options Flex Program		489,243			
93.242	Mental Health Research Grants - R&D		218,574		6,698	
93.243	Drug/Alcohol Services Info Systems Contract (DASIS) Synetics		15,804			
93.251	Universal Newborn Hearing Screening		214,183		71,500	
93.253	Poison Control Stabilization and Enhancement Grants - R&D		32,389			
93.256	State Planning Grant - R&D		154,775			
93.259	Rural Access to Emergency Devices		151,199		151,199	
93.264	Nurse Faculty Loan Program		18,834			
93.266	Comprehensive Geriatric Education Program (CGEP) - R&D		45,401		37,000	
93.268	Immunization Grants		2,325,327		373,293	
93.273	Alcohol Research Programs - R&D		362,931		19,368	
93.277	Career Development Awards - R&D		1,182			
93.279	Drug Abuse Research Programs - R&D		279,028			
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance - R&D		15,675,659		6,657,375	
93.301	Small Rural Hospital Improvement Grant Program		865,803		823,460	
93.306	Comparative Medicine - R&D		48,220			
93.342	Health Professions Student Loans		857,484			
93.358	Advanced Education Nursing Traineeships - R&D		113,353			
93.359	Nurse Education, Practice and Retention Grants - R&D		21,714			
93.361	Nursing Research - R&D		548,088			
93.364	Nursing Student Loans		204,339			
93.389	National Center for Research Resources - R&D		4,838,460		1,256,431	
93.390	Functional Analysis of Proteins - R&D		31,887			
93.393	Cancer Cause and Prevention Research - R&D		410,075			
93.395	Cancer Treatment Research - R&D		79,120			
93.398	Cancer Biology Research - R&D		151,591			
93.399	Cancer Control - R&D		89,183			
93.556	Promoting Safe and Stable Families		2,736,155		2,736,155	
93.558	Temporary Assistance for Needy Families		80,765,141		57,935,305	
93.563	Child Support Enforcement		36,964,167			
93.566	Refugee Social Services		349,532		124,764	
93.568	Low-Income Home Energy Assistance		29,414,002		28,652,708	
93.569	Community Services Block Grant		5,091,121		4,837,138	
93.570	NYSP Support Service		75,694			
93.571	Community Services Block Grant Discretionary Awards: Community Food and Nutrition		54,421		54,421	
	Child Care and Development Fund Cluster:					
	Child Care and Development Block Grant	40,748,072			22,329,319	
93.575	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	28,514,080			35,003,865	
	Total Child Care and Development Fund Cluster:		67,263,152			
93.576	Refugee and Entrant Assistance - Discretionary Grants		58,254		20,961	
93.586	State Court Improvement Program		173,103			
93.590	Community-Based Child Abuse Prevention Grants		1,237,164		957,770	
93.597	Grants to States for Access and Visitation Programs		120,057		119,717	
93.598	Chafee Education and Training Vouchers Program (ETV)		344,546		344,229	
93.600	Head Start		429,195			
93.603	Adoption Incentive Program		518,888		257,031	
93.617	Voting Access for Individuals with Disabilities (VOTE)		2,049			
93.630	Developmental Disability Councils Grant		471,854		102,342	
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service - R&D		9,112			
93.643	Children's Justice Assistance		214,946		85,094	
93.645	Child Welfare Services - State Grants		2,678,152		2,678,152	
93.647	Social Services Research and Demonstration - R&D		858,335			
93.658	Foster Care - Title IV-E		31,771,102		11,906,629	
93.659	Adoption Assistance		10,709,120		10,323,434	
93.667	Social Services Block Grant		23,359,633		17,750,953	
93.669	Child Abuse And Neglect State Grants		288,011		178,936	
93.670	Child Abuse and Neglect Discretionary Activities		425,493		90	
93.671	Family Violence Prevention and Services		1,091,866		1,049,593	
93.674	Chafee Foster Care Independence Program		1,782,901		1,565,285	
93.757	State Children's Insurance Program		49,501,717			
93.768	Ticket to Work Infrastructure		92,345		27,000	
	Medicaid Cluster:					
93.775	State Medicaid Fraud Control Unit	611,595				
93.777	State Survey and Certification of Health Care Providers and Suppliers	6,595,796				
93.778	Medical Assistance Program	1,438,536,532			325,681,149	
	Total Medicaid Cluster		1,445,743,923			

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93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations		1,114,748			
93.785	State Pharmaceutical Assistance Program (SPAP)		22,348			
93.821	Cell Biology and Biophysics Research - R&D		113,951			
93.822	Health Careers Opportunity Program - R&D		33,259			
93.837	Heart and Vascular Diseases Research - R&D		403,774		4,252	
93.838	Lung Disease Research - R&D		316,144			
93.839	Blood Diseases and Resources Research - R&D		449,223			
93.846	Arthritis, Musculoskeletal and Skin Diseases Research - R&D		25,815			
93.847	Diabetes, Endocrinology and Metabolism Research - R&D		46,874			
93.848	Digestive Diseases and Nutrition Research - R&D		44,768			
93.849	Kidney Diseases, Urology, and Hematology Research - R&D		935,302		288,731	
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders - R&D		685,192		5,828	
93.854	Neurological Disorders and Stroke - R&D		42,428			
93.855	Allergy, Immunology and Transplantation Research - R&D		339,070			
93.856	Microbiology and Infectious Diseases Research - R&D		688,859		21,900	
93.859	Biomedical Research and Research Training - R&D		1,566,057		63,101	
93.862	Genetics and Developmental Biology Research and Research Training - R&D		253,926			
93.864	Population Research - R&D		47,129			
93.885	Child Health and Human Development Extramural Research - R&D		373,677			
93.886	Aging Research - R&D		109,954		52,174	
93.887	Vision Research - R&D		1,339,420			
93.884	Grants for Residency Training in General Internal Medicine - R&D		327,894		18,435	
93.887	Health Care and Other Facilities - R&D		499,127			
93.889	National Biodefense Hospital Preparedness Program - R&D		117,324			
93.894	Resource and Manpower Development in the Environmental Health - R&D		94,287			
93.913	Grants to States for Operations of Offices of Rural Health		174,901			
93.917	HIV Care Formula Grants		3,719,298		481,599	
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds - R&D		75,533			
93.929	Center for Medical Rehabilitation Research - R&D		12,875			
93.934	Fogarty International Research Collaboration Award - R&D		76,469			
93.938	Improving the Health, Ed. & Well-being of youths thru Coord. Schl. Hlth. Prgs.		455,963		34,450	
93.940	HIV Prevention Activities - Health Department Based		1,939,047		975,118	
93.944	HIV/AIDS Surveillance		132,575			
93.945	Assistance Programs for Chronic Disease Prevention & Control		519,765			
93.952	Trauma Care Systems Planning and Development		21,754			
93.958	Block Grants for Community Mental Health Services		3,278,844		2,783,742	
93.959	Block Grants for Prevention and Treatment of Substance Abuse		12,174,805		10,600,522	
93.959	Geriatric Education Centers - R&D		105,400		85,837	
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants		842,934		287,988	
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Eval. Of Surv. Systems		891,366		375,000	
93.991	Preventive Health and Health Services Block Grant		1,472,853		584,001	
93.994	Maternal and Child Health Services Block Grant to the States - R&D		4,557,030		1,741,522	
93.996	Biodefense Grant - R&D		361,775			
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				1,890,867,602		586,565,660
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
Direct:						
94.003	Kansas Commission on National and Community Service		73,050			
94.004	Learn and Serve America: School-Based Program		330,258		253,085	
94.005	Learn and Serve America-Higher Education - R&D		13,009			
94.006	AmeriCorps		1,547,334		1,004,272	
94.007	Disability Placement		38,500			
94.009	Program Development Assistance and Training		99,747			
Foster Grandparent/Senior Companion Cluster:						
94.011	Foster Grandparent Program	591,701				
94.016	Senior Companion Program	429,515				
Total Foster Grandparent/Senior Companion Cluster			1,021,316			
94.367	Expl Natl World - R&D		14,084			
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				3,135,338		1,257,357
SOCIAL SECURITY ADMINISTRATION						
Direct:						
96.000	Census of Traumatic Occup Fatal		99,445			
Disability Insurance/SSI Cluster:						
96.001	Social Security - Disability Insurance	15,012,202			4,265,830	
Total Disability Insurance/SSI Cluster			15,012,202			
TOTAL SOCIAL SECURITY ADMINISTRATION				15,111,847		4,265,830

STATE OF KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal CFDA/Contract Number	Federal Grantor/Program/Pass-Through Grantor	Received Indirectly	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
	DEPARTMENT OF HOMELAND SECURITY					
	Direct:					
97.000	Non-catalog miscellaneous - R&D		197,665			
97.000	Non-catalog miscellaneous - R&D		47,850			
	Homeland Security Cluster:					
97.004	State Domestic Preparedness Equipment Support Program	25,977,105			2,512,543	
97.057	Homeland Security Grant Program	5,530,719			3,511,785	
	Total Homeland Security Cluster		34,507,824			
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants		853,927		853,927	
97.036	Disaster Grants - Public Assistance (presidentially declared disasters)		36,010,041		33,880,850	
97.039	Hazard Mitigation Grant		3,042,017		3,041,853	
97.042	Emergency Management Performance Grants		2,477,719		743,755	
97.051	State and Local All Hazards Emergency Operations Planning		2,192			
97.053	Citizen Corps		13,395			
97.073	State Homeland Security Program (SHSP)		219,368			
97.074	Law Enforcement Terrorism Prevention Program		525,441			
	TOTAL DEPARTMENT OF HOMELAND SECURITY			77,897,469		44,654,833
	UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT					
	Direct:					
98.000	Non-catalog miscellaneous - R&D		749,028		374,096	
	TOTAL UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT			749,028		374,096
	NON-CATALOG MISCELLANEOUS					
	Direct:					
05-9120-0946-CA	Animal ID - Transportation		126,829			
05-9720-1434-CA	Animal ID - NAIS - Premises Reg.		74,374			
05-9720-1450-CA	John's		2,450			
05-9720-1451-CA	Scrapie		30,101			
05-9720-1461-CA	FAD/Emergency Management		6,137			
7.999	High Intensity Drug Trafficking Area Program		3,754,755		1,249,834	
10.RDO	Non-catalog miscellaneous - R&D		851			
15.BBE	title not provided by sponsor/not listed on CFDA website - R&D		72,435		4,043	
15.BBN	title not provided by sponsor/not listed on CFDA website - R&D		57			
15.BBW	Non-catalog miscellaneous		303,419			
15.BCJ	San Juan River Recovery Implementation Program - R&D		38,598			
15.FFB	N/A-Not assigned yet - R&D		2,107			
15.FFB	title not provided by sponsor/not listed on CFDA website - R&D		43,435			
20.RDO	title not provided by sponsor/not listed on CFDA website - R&D		4,501			
43.NNA04CC17G	NASA - Long Term Micra Sparanats - R&D		74			
43.NNA04CC64A	NASA - Impact of Grav on Male Reprod - R&D		263,691			
93.N01-CN-35008	NIH-National Cancer Institute - R&D		50,431			
93.N01-CN-35005	NIH-National Cancer Institute - R&D		102,246			
93.N01-HD-3313	National Cancer Institute - R&D		2,519			
93.N01-HD-3313	National Cancer Institute - R&D		8,620			
Other (157IN)	NHTSA		333,219			
SJI-06-N-001	Kansas Courthouse Security and Disaster Recovery Project		25,000			
xx.unknown	MAMTC-NIST		140,393			
xx.unknown	SEOG Revenue and Expenditures		193,543			
xx.unknown	KRPS-CPB		144,481			
xx.unknown	KRPS Digital Conversion-CPB		80,006			
xx.unknown	FEMA		129,283			
xx.unknown	Domestic Cannabis Eradication/Suppression Program		3,461			
xx.unknown	Domestic Cannabis Eradication/Suppression Program		47,131			
xx.unknown	Community Offender Resources Pathways Program		30,593			
xx.unknown	Non-catalog miscellaneous - R&D		15,909			
xx.unknown	Domestic Preparedness Critical Infrastructure Protection Grant		8,282			
xx.unknown	Reimbursement from Bureau of Prisons		542,711			
xx.unknown	Refugee Health Assessments		65,600		65,600	
xx.unknown	FARS		38,096			
	TOTAL NON-CATALOG MISCELLANEOUS			6,765,656		1,319,477
	TOTAL CASH FEDERAL EXPENDITURES			3,733,407,316		1,204,615,532

STATE OF KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Federal CFDA/Contract Number	Federal Grantor/Program/Pass-Through Grantor	Received Indirectly	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
	NON-CASH FEDERAL EXPENDITURES:					
10.551	DEPARTMENT OF AGRICULTURE Food Stamps		185,634,580		-	
	TOTAL NON-CASH FEDERAL EXPENDITURES			185,634,580		
	TOTAL FEDERAL EXPENDITURES		\$ 3,919,041,896	\$ 3,919,041,896	\$ 1,204,615,532	\$ 1,204,615,532

** Includes State Unemployment Insurance Benefits of \$233,249,999

STATE OF KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2006

1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the State of Kansas (the State). The State's financial reporting entity is described in Note 1 of the State's basic financial statements.

2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards presents total federal awards expended for each individual federal program in accordance with Office of Management and Budget (OMB) *Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA). Federal award titles not presented in the catalog are identified by Federal agency number followed by (.XXX) or (.000).

3 - Basis of Accounting

Except for certain noncash federal award programs, the accompanying schedule is presented on a cash basis of accounting. Commodity food distribution is presented at the value assigned to the commodities by the federal granting agency. Food stamps are presented on the basis of the redeemable value of the food stamps distributed. Higher Education Act insured loans and revolving fund loans are presented on the basis of the amount of loan awards.

4 - Student Financial Assistance Programs

Federally funded student financial assistance programs are administered for the State of Kansas by the various Board of Regents institutions. The programs at each institution are administered separately from those of any other institution. Total fiscal year 2006 expenditures for each program are presented below:

CFDA #

84.007	Federal Supplemental Education Opportunity Grants	\$ 2,050,759
84.032	Federal Family Education Loan Program	133,962,614
84.033	Federal Work-Study Program	3,639,931
84.038	Perkins Loan Program-Federal Capital Contributions	3,629,257

STATE OF KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

4 - Student Financial Assistance Programs (Continued)

84.063	Federal Pell Grant Program	\$ 41,460,834
84.268	Federal Direct Student Loans Program	94,603,546
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	867,484
93.364	Nursing Student Loans	204,339
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds	75,533

Federal Family Education Loans, Federal Direct Student Loans and Health Professions Student Loans are made by financial institutions rather than by the educational institution.

5 - Revolving Loan Fund

The Community Development Block Grant (administered by the Kansas Department of Commerce), the Water Pollution Control Revolving Fund and the Public Water Supply Loan Fund (both administered by the Kansas Department of Health and Environment) are revolving loan funds. The value of the loans associated with these programs is summarized as follows:

	<u>CFDA Number</u>	<u>July 1, 2005 Balance</u>	<u>New Loans</u>	<u>Repayments</u>	<u>June 30, 2006 Balance</u>
Community Development Block Grant Loans	14.228	\$ 16,523,911	\$ 2,182,873	\$ 3,788,361	\$ 14,918,423
Water Pollution Control Revolving Fund	66.458	475,099,129	55,794,616	31,715,541	499,178,204
Public Water Supply Loan Fund	66.468	188,923,635	43,456,362	14,970,456	217,409,541

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended June 30, 2006

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified	None
Reportable conditions identified that are not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted:	None

Federal Awards

Type of auditor's report issued on compliance for major programs:	Qualified – Noncompliance: Temporary Assistance for Needy Families Unqualified: All Other Major Programs
Internal control over major programs:	
Material weaknesses identified	None
Reportable conditions identified that are not considered to be material weaknesses	None reported
Audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	Yes

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section I - Summary of Auditor's Results (Continued)

Identification of the State's major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Section 8 Housing Cluster	14.182, 14.195, 14.249, 14.856
Community Development Block Grant/State's Program	14.228
Unemployment Insurance	17.225
Improving Teacher Quality State Grants	84.367
Temporary Assistance for Needy Families	93.558
Child Support Enforcement	93.563
Low-Income Home Energy Assistance	93.568
Block Grants for Prevention and Treatment of Substance Abuse	93.959
State Children's Insurance Program	93.767
Medicaid Cluster	93.775, 93.777, 93.778
Social Security - Disability Insurance Cluster	96.001, 96.006
Additional Selection:	
Migrant Education-State Grant Program	84.011
Dollar threshold used to distinguish between Type A and Type B programs	\$ 11,757,126

Auditee qualified as a low risk auditee? Yes

Section II - Financial Statement Findings

None reported.

Section III - Findings and Questioned Costs for Federal Awards

Finding No. 06-1

Federal Program - Section 8 Cluster (CFDA No. 14.195), U.S. Department of Housing and Urban Development, Kansas Housing Resources Corporation (KHRC), All Grant Awards

Cause and Condition - KHRC contracts for certification services with EPS, Inc. A complete independent review of the controls related to the certification services provided by EPS, Inc. has not been performed by a third party and a SAS 70 report has not been received.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-1 (Continued)

Criteria – A SAS 70 Type II Service Auditors' Report is required for any contractor that is providing processing services, in this case processing certifications for KHRC. The SAS 70 Type II Service Auditors' Report provides the auditors' opinion on the internal controls placed in operation by the contractor. The report also states whether the auditors believe that the controls are designed and operated with sufficient effectiveness to provide reasonable assurance that control objectives would be achieved.

Effect – Resident certification and recertification data and voucher data are processed by EPS, Inc. If the proper controls are not in place and are not being adequately monitored, data may be incorrectly processed.

Questioned Costs – Unknown

Recommendation – KHRC performs an internal review of EPS, Inc. However, KHRC should require that EPS, Inc. provide a SAS 70 report on internal control over its Tenant Rental Certification System (CaTRACer), which is used to meet KHRC's processing and reporting requirements of its contract with the U.S. Department of Housing and Urban Development. Additionally, as future contracts are negotiated with EPS, Inc. for services, the requirement for an annual SAS 70 report should be included as a contract provision.

Auditee Contact - Susan M. James, CPA, Controller, Kansas Housing Resources Corporation

Management's Response/Corrective Action Plan (Unaudited) - KHRC talked with EPS, Inc. about a SAS 70 report for its TRACS, and agreed to the following corrective action:

1. EPS, Inc. will make every effort to provide a Type I SAS 70 report by the end of KHRC's 2007 fiscal year (June 30, 2007).
2. For KHRC's fiscal year 2008 and each year thereafter that EPS, Inc. performs processing services for KHRC, EPS, Inc. will provide a Type II SAS 70 report.

KHRC will add an addendum to its current contract requiring EPS, Inc. to provide SAS 70 reports as noted above. This contractual provision will be included in future contracts for processing services.

Finding No. 06-2

Federal Program – Community Development Block Grants/State's Program (CDBG) (CFDA No. 14.228), U.S. Department of Housing and Urban Development (HUD), State of Kansas Department of Commerce, All Grant Awards

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-2 (Continued)

Condition – In June 2006, HUD conducted an on-site monitoring review of the State of Kansas CDBG program. This review cited five findings related to the environmental review process. These findings put the State of Kansas at risk of noncompliance with the National Environmental Policy Act and other environmental laws and regulations.

Criteria – The State of Kansas must be in compliance with HUD regulation 24 C.F.R. Part 58, “Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities”.

Cause – The CDBG program was not being adequately monitored to ensure it was operating in compliance with the applicable HUD’s regulations.

Effect – Noncompliance with the HUD regulation could result in a reduction of HUD assistance or other similar sanctions against the program.

Questioned Costs – Unknown

Recommendation – The State of Kansas should work with HUD to resolve all deficiencies noted in the review and develop a plan to eliminate the chance of reoccurrence.

Auditee Contact - Raymond Hammarlund, Director, Kansas Department of Commerce, Community Development Division

Management’s Response/Corrective Action Plan (Unaudited) – The State of Kansas Department of Commerce has responded to HUD’s findings and is implementing HUD’s suggestions which include providing additional training to grantees, revising grant award documents and intensifying scrutiny of projects to ensure that all environmental regulations have been followed.

Finding No. 06-3

Federal Program – Migrant Education-State Grant Program (CFDA No. 84.011), U.S. Department of Education, State of Kansas Department of Education, Grant No. S011A050016

Cause and Condition – Key line items reported in the Consolidated State Performance Report: Part II 2004-2005 for Migrant Education did not have appropriate supporting documentation. When the report was originally prepared, the query output was not printed or kept in electronic format as support for the data reported. The report was recreated from the KSMN database during testwork, but since this report is created from a real-time database, the key line items did not match the data originally reported.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-3 (Continued)

Criteria – The State should maintain records that accumulate and/or summarize the information reported.

Effect – Key line items could have been reported incorrectly without the ability to be reviewed for correction.

Questioned Costs – Unknown

Recommendation – We recommend that the State maintain original supporting documentation for the information reported in the Consolidated State Performance Report.

Auditee Contact – Judi Miller, Assistant Director, Department of Education, State and Federal Programs

Management's Response/Corrective Action Plan (Unaudited) – The Kansas State Department of Education believes it has the appropriate supporting documentation for reports filed with the U.S. Department of Education. The data reported in the Consolidated State Performance Report: Part II 2004-2005 is actually supported in different ways. The data for the report comes from the Kansas Migrant Student Network (KMSN). This database contains all students determined to be eligible for migrant services. The determination of eligibility is handled through the recruiting and Certificate of Eligibility (COE) review process. Once a student is determined to be eligible, his or her information on the COE is entered into the database. For every student in the database, there is a COE identifying when eligibility began with the *Qualifying Arrival Date* (QAD). The information on the COE is entered into the database by the COE approval office. The Kansas State Department of Education maintains all COEs for 10 years as required by the Migrant Education Programs non-regulatory guidance. To verify the data reported on the report, COEs could actually be pulled and counted to determine which students were eligible during a specified time period.

Throughout the year, the database coordinator continually reviews the data in the database to ensure that the migrant projects are entering the priority for services and other school data. She sends projects notices when there is little activity; she checks for consistency of data; and she provides technical assistance and troubleshooting for issues relating to the database.

Since the database is real time, the programmer who prepares the data for the Consolidated State Performance Report developed "Stored Procedures" for each year's report. The stored procedures detail the programming language for SQL so if reports need to be run again, the specific parameters remain consistent. The data itself may vary should recruiters find and identify students as migrant whose qualifying arrival date fell within the parameters of the reporting period.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

Finding No. 06-4

Federal Program – Improving Teacher Quality State Grants (CFDA No. 84.367), U.S. Department of Education, State of Kansas Department of Education, Grant No. S367A050015A

Cause and Condition – The U.S. Department of Education conducted a review of the Improving Teacher Quality State Grant in December 2005 for State fiscal year 2005 and prior years. As a result of this review, they cited that “the State is using enrollment data, not the required Census residence data, for the part of the allocation of funds based on numbers of children ages 5-17 who reside within the LEA.” During our audit, the same condition was noted.

Criteria – As required in §2121(a)(3) of the Elementary and Secondary Education Act {20 USC 6621(a)}, in any year in which the amount available in the State for LEA grants exceeds the sum of the “hold harmless” amounts for LEAs, the SEA distributes excess funds based on the following formula:

- 20 percent of the excess funds must be distributed to LEAs based on the relative number of individuals ages 5 through 17 who reside in areas the LEA serves (using data that are determined by the Secretary to be the most current); and
- 80 percent of the excess funds must be distributed to LEAs based on the relative numbers of individuals ages 5 through 17 who reside in the area the LEA serves and who are from families with incomes below the poverty line (also using data that are determined by the Secretary to be the most current).

Effect – The funds allocated to the LEAs under this grant are incorrect.

Questioned Costs – Unknown

Recommendation – The Kansas Department of Education should implement procedures to address the specific recommendations provided by the U.S. Department of Education.

Auditee Contact – Judi Miller, Assistant Director, Department of Education, State and Federal Programs

Management’s Response/Corrective Action Plan (Unaudited) – As requested by the United States Department of Education, the Kansas State Department of Education re-ran the Title II, Part A allocations for the 2005-06 school year to document that they could be computed correctly. No actual adjustments were made to the original allocations. Excess funds allocated to LEAs for the 2006-07 school year were computed correctly, based on Census residence data and not enrollment data, as required by the Elementary and Secondary Act.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-5

Federal Program – Improving Teacher Quality State Grants (CFDA No. 84.367), U.S. Department of Education, State of Kansas Department of Education, Grant No. S367A050015A

Cause and Condition – The United States Department of Education conducted a review of the Improving Teacher Quality State Grant in December 2005. As a result of this review, they cited that “Kansas began testing new teachers in the core academic content areas in 2002, but did not establish passing scores until January 2005. The KSDE considers teachers who took the content assessment during this period—referred to as the “no fault testing group”—as highly qualified. Furthermore, the State did not include special education teachers in its HQT procedures until the 2006-2007 school year. Because of these issues, the State cannot provide assurances that districts hire only highly qualified teachers (including special education teachers, as appropriate) when using funds to reduce class size.”

Criteria – As noted in §2123(a)(2)(B) of the Elementary and Secondary Education Act {20 USC 6623(a)}, districts are allowed to use Title II, Part A funds to recruit and hire highly qualified teachers to reduce class size.

Effect – The State is not able to assure that districts are hiring qualified teachers to reduce class size.

Questioned Costs – None.

Recommendation – The Kansas Department of Education should implement procedures to address the specific recommendations provided by the United States Department of Education.

Auditee Contact – Judi Miller, Assistant Director, Department of Education, State and Federal Programs

Management's Response/Corrective Action Plan (Unaudited) – The Kansas State Department of Education will implement the following procedures to ensure that only highly qualified teachers are hired.

The listing of schools that are utilizing Title II-A funds to reduce class size will be collected and submitted to teacher licensure. They will analyze the teacher licensure report and notify the State and Federal Programs office if any of these schools have teachers who do not meet the highly qualified criteria. The State and Federal Programs office will contact and work with the superintendent and principal regarding the situation. The district will provide KSDE with verification that the teachers who are not highly qualified are being funded through a source other than Title II-A.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

Finding No. 06-5 (Continued)

To be proactive, the Kansas State Department of Education will reissue its guidance to districts regarding the highly qualified teacher requirements for teachers hired with Title II-A funds for reducing class size. As appropriate, workshops and meetings will be held in which highly qualified teacher requirements will be discussed.

Finding No. 06-6

Federal Program – Temporary Assistance for Needy Families (TANF) (CFDA No. 93.558), U.S. Department of Health and Human Services, State of Kansas Department of Social and Rehabilitation Services (SRS)

Condition - Four of the twenty-three case files tested for eligibility determinations did not contain verification that there was a minor child in the household.

Criteria – To be eligible for TANF “assistance” as defined in 45 CFR section 260.31, a family must include a minor child who lives with a parent or other adult caretaker relative. The child must be less than 18 years old, or, if a full-time student in a secondary school (or the equivalent level of vocational or technical training), less than 19 years old. Documentation of the existence of a minor should be kept in the case files.

Cause – Case files are not reviewed to ensure that proper supporting documentation is maintained.

Effect – The TANF participants tested may not have a minor child in the household and, as a result, benefits may be paid to someone not eligible for the program.

Questioned Costs – \$16,197,227 (includes \$11,916 of known questioned costs and \$16,185,311 of likely questioned costs (\$11,916 known errors divided by \$47,019 of TANF participant payments during State fiscal year 2006 in our sample population multiplied by \$63,865,150 of total population TANF participant payments during State fiscal year 2006).

Recommendation – The State of Kansas should implement controls that would insure that the appropriate documentation is maintained in the case files as support for the State’s eligibility determinations.

Auditee Contact – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-6 (Continued)

Management's Response/Corrective Action Plan (Unaudited) – SRS disagrees with this finding as there is no federal requirement that such birth or other documentation be provided or maintained to verify that the household contains these children. Lacking any regulatory or statutory cite to the contrary, SRS believes that eligibility for these cases was determined correctly.

Finding No. 06-7

Federal Program – Temporary Assistance for Needy Families (TANF) (CFDA No. 93.558), U.S. Department of Health and Human Services (HHS), State of Kansas Department of Social and Rehabilitation Services (SRS)

Condition – In January 2007, the HHS Kansas City Office of the Administration for Children and Families was made aware of allegations that Region VII of the State of Kansas Department of Social and Rehabilitation Services had been misusing monies earmarked and allocated for TANF purposes. The allegations state that the Region may have diverted TANF monies to purchase contracted services to primarily assist certain applicants and recipients in achieving their quest for Social Security eligibility. Final information is not yet available regarding amounts and dates of the alleged misuse.

Cause – The cause has yet to be determined.

Effect – The State of Kansas risks reduced funding and could be required to refund amounts to HHS.

Questioned Costs – Unknown

Recommendation – SRS should continue to work with HHS to verify the misuse and take the appropriate actions as directed by HHS “to determine the total amount of misused TANF funds in any Region within the State of Kansas”.

Auditee Contact - Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

Management's Response/Corrective Action Plan – SRS will cooperate with HHS in resolving this issue.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-8

Federal Program – Child Support Enforcement (CSE) (CFDA No. 93.563), U.S. Department of Health and Human Services, State of Kansas Department of Social and Rehabilitation Services (SRS)

Condition – One of the twenty-three case files tested did not contain documentation of eligibility for CSE benefits.

Criteria – 42 USC 608(a)(3) and 45 CFR section 302.33(a) list four specific eligibility criteria: a) individuals applying for or receiving TANF benefits for whom an assignment of child support rights has been made to the State; (b) non-TANF Medicaid recipients; (c) former Aid to Families with Dependent Children/TANF, Title IV-E, or Medicaid recipients who continue to receive child support enforcement services without filing an application; and (d) individuals needing such services who have applied to a State child support enforcement agency. The appropriate related documentation, such as the application, should be maintained to support the determination that the participant was eligible for one of the reasons listed above.

Cause – The custodial parent did not complete an application.

Effect – Verification of the initial eligibility determination of the participant is not possible since the required documentation was not maintained in the case file.

Questioned Costs – Unknown

Recommendation – The State of Kansas should implement controls that would verify that the appropriate documentation is maintained in the case files as support for the State's eligibility determinations.

Auditee Contact – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

Management's Response/Corrective Action Plan (Unaudited) – Kansas Child Support Enforcement appreciates the opportunity to review and respond to the audit findings. Of the 23 cases sampled, one resulted in findings. The case in question was researched and the error was reported to the supervisor for analysis and resolution. The process to correct the error commenced on October 26, 2006. The signed NA application was received on December 5, 2006.

In looking toward the future and seeking improvement, staff will be issued a reminder regarding the criticality of existing CSE NA application policy. This policy can be found in the Kansas Child Support Enforcement Manual sections 1310, 1330 and 1360.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-8 (Continued)

Of the 23 cases sampled by the Single Audit, one error resulted. This represents a compliance rate in excess of 95%. Child Support Enforcement staff are pleased with the results and are dedicated to striving for continued improvement.

Finding No. 06-9

Federal Program – Low Income Housing Energy Assistance Program (LIHEAP)(CFDA No. 93.568), U.S. Department of Health and Human Services, State of Kansas Department of Social and Rehabilitation Services (SRS)

Condition – The State of Kansas failed to file the Financial Status Report 269 for the year ended September 30, 2005 by the required deadline. The report was due December 29, 2005 but was not submitted until February 21, 2006.

Criteria – The FY 2005 grant terms and conditions state that the report is due on an annual basis by December 29, 2005, which is 90 days after the federal fiscal year-end.

Cause – The State of Kansas failed to monitor grant report due dates.

Effect – The FY 2005 grant terms and conditions state that failure to submit reports on time may be the basis for withholding financial assistance payments, suspension or termination of funding.

Questioned Costs – Unknown

Recommendation – The State of Kansas should develop a method to track due dates for reports so that the reports are submitted timely.

Auditee Contact – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

Management's Response/Corrective Action Plan (Unaudited) – SRS was very aware that report was going to be late due to turnover in staff who prepared that report and difficulties in the transition of that position. The position has since been filled and the procedures which led to the difficulties in the transition have been modified to prevent similar future problems. We believe these procedures have been successful. It is important to note the FFY 06 LIEAP annual report was due 12/31/06 and was submitted 11/15/06.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-10

Federal Program – Low Income Housing Energy Assistance Program (LIHEAP) (CFDA No. 93.568), U.S. Department of Health and Human Services, State of Kansas Department of Social and Rehabilitation Services (SRS), Federal Fiscal Year 2005 Grant Award

Condition – The State of Kansas failed to meet the grant award requirement of including the required wording on documents containing information on the program.

Criteria – The FY 2005 grant terms and conditions state that statements, press releases, requests for proposals, bid solicitations and other documents describing projects or programs funded in whole or in part with Federal money shall clearly state the percentage of the total costs of the program or project which will be financed with Federal dollars, the dollar amount of Federal funds for the project or program, and the percentage and dollar amount of the total costs of the project or program that will be financed by nongovernmental sources.

Cause – Specific grant conditions listed in the grant award package were not provided to the grant's Program Manager. Accordingly, the Program Manager was not aware of the wording requirements.

Effect – By not following the terms and conditions outlined by the grant award, the State of Kansas may jeopardize potential future funding from HHS.

Questioned Costs – Unknown.

Recommendation – The State of Kansas should perform a review of all documentation being released to the public to ensure that it contains the required wording. The State of Kansas should also ensure that all parties working with the program are aware of the additional terms and conditions listed on the grant award or in the compliance supplement.

Auditee Contact – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

Management's Response/Corrective Action Plan (Unaudited) – SRS's failure to include appropriate wording on the documents referenced was also related to the turnover of staff and the transition to replace that position. The material containing this stipulation was part of award notifications and were not reviewed due to the vacancy referenced. The new procedures and controls that have been established will prevent this from happening in the future.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-11

Federal Program – Block Grants for the Prevention and Treatment of Substance Abuse (SAPT) (CFDA No. 93.959), U.S. Department of Health and Human Services, State of Kansas Department of Social and Rehabilitation Services (SRS)

Condition – Line 12 of the Financial Status Report 269 for the period October 1, 2004 to September 30, 2005 did not provide the dates of the last obligation and last expenditure.

Criteria – The grant award states that the dates of the last obligation and last expenditure must be documented on line 12 of the Financial Status Report 269.

Cause – The report was not prepared following the requirements of the grant award.

Effect – This information is used to determine if the grantee is in compliance with the period of availability requirement.

Questioned Costs – Unknown

Recommendation – A person other than the preparer should review the reports submitted to ensure they are complete prior to submission.

Auditee Contact – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

Management's Response/Corrective Action Plan – SRS Health Care Policy (HCP) concurs with this audit finding, and has already made steps to include the last expenditure and obligation dates on future FSRs. The date of last expenditure was included on the FSR for the grant period October 1, 2004 through September 30, 2005. HCP tracks the monthly expenditures for each FFY SAPT grant to ensure compliance with the period of availability requirement.

Health Care Policy will continue to take steps to ensure that both the preparer and reviewer of the FSR 269 are aware of the requirements for Line 12. Instructions regarding this requirement will be added in the grant notebook.

STATE OF KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-12

Federal Program – Block Grants for the Prevention and Treatment of Substance Abuse (CFDA No. 93.959), U.S. Department of Health and Human Services, State of Kansas Department of Social and Rehabilitation Services (SRS)

Condition – The State of Kansas failed to meet the earmarking requirement for the SAPT program. Only 19 percent of the Federal Fiscal Year 2004 block grant was expended for primary prevention services for individuals not requiring substance abuse treatment.

Criteria – According to 42 USC 300x-22; 45 CFR sections 96.124 (b)(1) and 96.125, the State shall expend not less than 20 percent of SAPT for primary prevention programs for individuals who do not require treatment of substance abuse.

Cause – The State did not properly track expenditures to ensure that the required levels of certain expenditures were met.

Effect – The State of Kansas SAPT program is not in compliance with the grantor's earmarking requirements.

Questioned Costs – Unknown.

Recommendation – Expenditures should be tracked frequently to ensure that funds are being spent in accordance with the grant requirements.

Auditee Contact – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

Management's Response/Corrective Action Plan (Unaudited) – The application submitted on September 29, 2006, reported that block grant funds in the amount of \$2,367,511 were spent on primary prevention activities. This amount is 19.1% of the FFY04 block grant award. Form 4 of the application also indicated that \$786,355 of state funds were spent on primary prevention.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-12 (Continued)

SRS HCP Addiction and Prevention Services and Management Operations staff consulted with SAMHSA/CSAP regarding the primary prevention funds in October and November 2006. SAMHSA/CSAP allowed HCP to journal voucher \$124,639 from state funds used for primary prevention to block grant funds. In early November 2006, revised Forms 4 and 6 were submitted via the BGAS web site. The revised forms indicate that 20.11% of the block grant funds were expended for primary prevention activities.

In addition to monitoring and tracking total block grant expenditures and obligations on a monthly basis, SRS HCP is now tracking the amount expended on primary prevention. At least quarterly, HCP Addiction and Prevention Services and Management Operations staff are reviewing the expended and projected amounts in order to ensure that the 20% prevention set-aside requirement is met. The 20% requirement for the FFY05 award was met, and current expenditures/obligations indicate it will be met for the FFY06 award.

Finding No. 06-13

Federal Program – Block Grants for the Prevention and Treatment of Substance Abuse (SAPT) (CFDA No. 93.959), U.S. Department of Health and Human Services, State of Kansas Department of Social and Rehabilitation Services (SRS)

Condition – An audit conducted by the State of Kansas Social and Rehabilitation Services (SRS) Office of Audit and Consulting Services noted that the Western Kansas Assessment Center (WKAC), a subrecipient of SRS, failed to comply with the cost principles of OMB Circulars A-133 and A-122 when expending Federal funds as well as failed to submit audit reports to SRS. The period audited by SRS was January 1, 2001 to December 31, 2004. SRS complied with subrecipient monitoring requirements and in doing so, this instance is being reported in the State of Kansas single audit report.

Criteria – According to 31 USC 7502(f)(2)(B), pass-through entities are required to ensure that subrecipients exceeding certain amounts of federal expenditures have met the requirements of OMB Circular A-133 including having audits completed within 9 months of the end of the subrecipient's audit period. The pass-through entity is required to issue a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action. SRS is also required to evaluate the impact of subrecipient activities on the SRS's ability to comply with applicable Federal regulations.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-13 (Continued)

Cause – There is a lack of controls over the grant awards received by WKAC.

Effect – The Western Kansas Assessment Center used federal funds for unallowable costs for the period January 1, 2001 to December 31, 2004.

Questioned Costs – \$282,213 (Federal portion)

Recommendation – The SRS Office of Audit and Consulting Services is recommending that WKAC reimburse SRS \$349,707 (includes state and federal funds) for the unallowed costs. We understand that SRS is continuing to pursue this matter.

Auditee Contact – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

Management Response/Corrective Action Plan (Unaudited) – The Western Kansas Assessment Center was dissolved in 2006. The services performed by the Center were assumed by another subrecipient of SRS when the organization closed. The Board of WKAC has agreed to pay SRS the balance of their assets in settlement of this audit. That amount is a little over \$20,000.

Finding No. 06-14

Federal Program – Block Grants for the Prevention and Treatment of Substance Abuse (SAPT) (CFDA No. 93.959), U.S. Department of Health and Human Services, State of Kansas Department of Social and Rehabilitation Services (SRS)

Condition – The SAPT program did not conduct the required independent peer reviews of the entities providing SAPT services.

Criteria – The State must provide for independent peer reviews which assess the quality, appropriateness, and efficacy of treatment services provided to individuals. At least 5 percent of the entities providing services in the State shall be reviewed. The entities reviewed shall be representative of the entities providing the services. The State shall ensure that the peer reviewers are independent by ensuring that the peer review does not involve reviewers reviewing their own programs and the peer review is not conducted as part of the licensing or certification process (42 USC 300x-53(a); 45 CFR section 96.136).

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-14 (Continued)

Cause – The SAPT program’s Independent Peer Review function has been temporarily phased out due to internal struggle over how to monitor this function.

Effect – The quality, appropriateness, and efficacy of treatment services provided by the entities are not in compliance with State and Federal guidelines. Noncompliance could result in a reduction of federal funding.

Questioned Costs – Unknown

Recommendation – We recommend that the State reestablish an annual review process so that at least 5 percent of the entities providing services in the State are reviewed each year in order for the State to be in compliance with federal guidelines.

Auditee Contact – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

Management’s Response/Corrective Action Plan (Unaudited) –When SRS Addiction and Prevention Services (AAPS) moved to a managed care system in 1997-1998, the Regional Alcohol and Drug Assessment Centers (RADAC’s) sent staff with the managed care organization to conduct what was defined at that time by the State as independent peer reviews. These visits consisted of file and billing reviews. After the managed care organization was dissolved, the RADAC’s continued these visits, reviewing files and providing feedback. These visits continued from 1998 through 2001. In 2001, a decision was made to conduct joint visits with AAPS licensing staff. Between 2001 and 2003, the peer reviews were gradually phased out. In 2004, a System Redesign project was implemented and the discussion about Quality Improvement and Independent Peer Review resurfaced. SRS AAPS has recently entered into a contract with an independent organization to conduct these reviews and plans are to implement the new process by July 2007.

Finding No. 06-15

Federal Program – Medicaid Cluster (CFDA No. 93.775, 93.777, 93.778), U.S. Department of Health and Human Services, Kansas Health Policy Authority (KHPA)

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-15 (Continued)

Condition - During our testwork of cases reviewed at Kansas Foundation for Medical Care, Inc. (KFMC), 2 of the 23 (or approximately 9%) of the sample case reviews selected for testwork were not completed by KFMC during the year ended June 30, 2006. The sample pulled would indicate that only 91 % of the cases reviewed during the state fiscal year were completed within the specified timeframe.

Criteria – The contract between KFMC and the State of Kansas requires that 97% of case reviews must be completed within 100 days from the date of selection and the results must be reported every quarter.

Cause –KFMC is not sufficiently tracking the deadlines for completion of the reviews.

Effect – These results indicate that KFMC is in violation of the contract with the State of Kansas.

Questioned Costs – Unknown

Recommendation – The State of Kansas should work with KFMC to identify the cause for these delays in reviewing the case files and KFMC should implement procedures necessary to comply with the contract with the State of Kansas.

Auditee Contact – Larry Barrett, Audits Manager, Kansas Health Policy Authority

Management's Response/Corrective Action Plan (Unaudited) – KFMC acknowledges some cases have not been completed within 100 days, but disagrees with the findings of the audit. The reasons for the disagreement are below.

1. Contract timeliness is reported quarterly and reflects the total number of reviews completed. (Performance Indicator Report, Section I-4.) KFMC has reported consistent timeliness performance above 97%. For the period between the third quarter of 2005 through the second quarter of 2006, timeliness rates were 99%, 99%, 100%, and 100%, respectively.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-15 (Continued)

2. KFMC acknowledges that during the audit that was performed, two cases out of 23 reviewed were not timely, which calculates to a 91% timeliness rate. However, KFMC believes these results are not representative of the overall timeliness rate for two reasons:
 - a. The sample size was insufficient to determine whether the resulting timeliness rate was significantly different from the true rate. Even if the contract timeliness rate of 97% were used, sampling 23 cases from all cases reviewed in the timeframe (approximately 22,000 cases) would cause a 7% margin of error. Unless the sample rate was lower than 90%, no conclusions can be drawn.
 - b. The sample of 23 cases was not pulled from the entire population of cases. The sample was only from in-house cases, which are all referred cases. Thus, even if the sample size had been adequately large, it would only have indicated the timeliness rate for referred cases. Referred cases represent only about 5% of all cases reviewed.
3. KFMC acknowledges there have been late cases. This sometimes occurs due to factors outside of KFMC's control. One of the cases identified as late involved a billing inquiry of which KFMC was waiting on clarification from the Fiscal Agent. KFMC pended the case and, in retrospect, should have closed the case and reopened when the information came from the Fiscal Agent.
4. It was stated "KFMC is not sufficiently tracking the deadlines for completion of the reviews." KFMC disagrees with this finding. KFMC concurrently monitors cases daily and weekly. Cases nearing the timing deadlines are completed first throughout all steps in the review process. KFMC is conscientious about timing and it is reflected in the performance indicator report.

The State will continue to work with KFMC to ensure cases are completed timely and to improve the process.

Finding No. 06-16

Federal Program – Medicaid Cluster (CFDA No. 93.775, 93.777, 93.778), U.S. Department of Health and Human Services, Kansas Health Policy Authority (KHPA)

Condition – During our claims testwork during the fiscal year 2004 audit, we noted that the Medicaid Management Information System (MMIS) system contained no controls to limit the number of surface repairs paid per tooth to dentists. No similar issues were noted during current year claims testwork, however, as of June 30, 2005 and 2006, no controls had been implemented to address this finding.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-16 (Continued)

Criteria – The MMIS system should include edits and controls that identify unusual items, including safeguarding unnecessary utilization of care or fraudulent claims, for follow up. The State utilizes the MMIS system to ensure proper payment of submitted claims.

Cause – There are insufficient edits and controls in the MMIS system to address this specific issue.

Effect – A dentist may file an illegitimate claim for more surface repairs on a tooth than the number of surfaces that are actually on a tooth.

Questioned Costs – Unknown

Recommendation – We continue to recommend that the State implement controls in the MMIS system that limit the number of surface repairs a dentist can claim on a specific tooth letter or number.

Auditee Contact – Larry Barrett, Audits Manager, Kansas Health Policy Authority

Management's Response/Corrective Action Plan (Unaudited) – KHPA updated MMIS policies E2006-38, E2006-39, E2006-40 and E2006-41, which include tooth surface limitations. These policies are being implemented in phases and Phase III has been delayed due to other priorities. It is expected this final phase will be implemented before the end of SFY08. Phase III will assist in limiting the number of surface repairs possible. In addition to this planned final policy implementation, exploration of possible system changes will be done in SFY08 to discover if there is some way to further limit the potential for duplicate billing for specific teeth.

Finding No. 06-17

Federal Program – State Children's Insurance Program (SCHIP) (CFDA No. 93.767), U.S. Department of Health and Human Services, Kansas Health Policy Authority (KHPA), All Grant Awards

Condition – KHPA was unable to provide copies of the SCHIP award letters.

Criteria – The SCHIP award letters and related documents provide guidance to DHPF personnel on the management of the program, including award amounts and funding periods.

Cause – The letters were misfiled and unable to be found.

STATE OF KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-17 (Continued)

Effect – KHPA could be unaware of compliance requirements stipulated in the grant award letter.

Questioned Costs – None

Recommendation – We recommend that KHPA maintain copies of all award letters received for the program. Such documentation provides support for the activity of the grant.

Auditee Contact – Larry Barrett, Audits Manager, Kansas Health Policy Authority

Management's Response/Corrective Action Plan (Unaudited) – Copies of the two grant award letters for FYE June 30, 2006, have been located and copies will be provided to Berberich Trahan & Co., P.A. The first letter covering, The State Children's Health Insurance Program, appropriation No. 7550515 for \$28,476,186 was received August 22, 2005. The second letter, The State Children's Health Insurance Program, appropriation No. 752-50515 for \$(226,580) was received October 4, 2005.

Steps are being taken to insure that the SCHIP award letters and related documents are filed correctly and are available for reference to KHPA and others. Copies of the two grant award letters received during FYE June 30, 2006 along with the attachments will be faxed to Berberich Trahan & Co., P.A. on March 7, 2007. In addition, hard copies of these letters were mailed to Berberich Trahan & Co., P.A. on March 7, 2007.

Finding No. 06-18

Federal Program – State Children's Insurance Program (SCHIP) (CFDA No. 93.767), U.S. Department of Health and Human Services, Kansas Health Policy Authority (KHPA), All Grant Awards

Condition – The State of Kansas utilizes a contractor, Maximus, to process eligibility determinations for the SCHIP program. Historically, the State of Kansas has relied upon the controls of Maximus in the processing of these eligibility determinations. A complete review of the controls related to the eligibility determination process has not been performed by a third party and a SAS 70 report has not been received.

Criteria – A SAS 70 Type II Service Auditors' Report is required by the State of Kansas for any contractor that is providing processing services, in this case processing eligibility determinations, for the State of Kansas' SCHIP program. The SAS 70 Type II Service Auditors' Report provides the auditors' opinion on the internal controls placed in operation by the contractor. The report also states whether the auditors believe that the controls are designed and operated with sufficient effectiveness to provide reasonable assurance that control objectives would be achieved.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-18 (Continued)

Effect – Eligibility determinations for the SCHIP program are processed by Maximus. If the proper controls are not in place and are not being adequately monitored, eligibility determinations may be incorrectly processed.

Questioned Costs – Unknown

Recommendation – The State of Kansas should require that Maximus provide a SAS 70 Type II Service Auditors' Report on the internal control over its eligibility determination processing for the SCHIP program. Any other areas of processing which are significant to the SCHIP program should also be covered by the report. Additionally, as future contracts are negotiated for service organizations to process eligibility determinations, the requirement for an annual SAS 70 report should be included as a contract provision.

Auditee Contact – Larry Barrett, Audits Manager, Kansas Health Policy Authority

Management's Response/Corrective Action Plan (Unaudited) – The eligibility issues contained in this audit finding will be addressed in the next Request for Proposal (RFP) with a contractor for Clearinghouse activities. The RFP covering eligibility issues will be initiated by January 1, 2008 and implemented in the new contract beginning September 30, 2008.

Finding No. 06-19

Federal Program – Social Security - Disability Insurance Cluster, (CFDA No. 96.001/96.006), U.S. Department of Health and Human Services, State of Kansas Department of Social and Rehabilitation Services

Condition – In October 2002, the Social Security Administration's Office of the Inspector General performed an audit of the State of Kansas' Disability Determination Services program. This review cited known questioned costs of \$201,218 related to unallowable costs, which have been refunded to the Social Security Administration, and disputed questioned costs of \$4,923,606 related to indirect costs inappropriately charged to the program.

Cause – According to the Office of Inspector General, the questioned costs were caused by "incorrect indirect cost allocations, inappropriate non-SSA work cost charges, and inaccurate other nonpersonnel costs."

STATE OF KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-19 (Continued)

Effect – The State of Kansas has refunded \$201,218 of the unallowable costs to the Social Security Administration. The disputed questioned costs related to the indirect costs are currently under appeal with the Department of Health and Human Services (HHS).

Questioned Costs – \$201,218 known questioned costs, \$4,923,606 disputed questioned costs

Recommendation – The State should implement the procedures recommended by the Office of Inspector General to ensure future unallowable costs do not occur. The State is currently awaiting the outcome of their appeal to HHS regarding the indirect costs.

Auditee Contact – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

Management's Response/Correction Action Plan (Unaudited) (Follow-up) – As of December 2006, the State is still awaiting the outcome of their appeal to HHS regarding the indirect costs.

Finding No. 06-20 (Repeated from prior year Finding 05-6)

Federal Program – Public Assistance Grants (CFDA No. 97.036), U.S. Department of Homeland Security, Adjutant General's Department, State of Kansas, which includes the Kansas Department of Emergency Management (KDEM)

Condition – In our subrecipient monitoring testwork during the fiscal year 2005 audit, we noted that twenty of twenty-three subrecipients selected for testwork had not submitted an independent audit report or a letter stating they were not required to have an audit performed in accordance with OMB Circular A-133. No action was taken by the State as of June 30, 2006.

Criteria – According to 31 USC 7502(f)(2)(B) and KDEM's internal subrecipient monitoring policy, the pass-through entity (the State) should receive audit reports from subrecipients required to have an audit in accordance with OMB Circular A-133, issue management decisions on findings related to the program, and require the subrecipients to take timely corrective action on any deficiencies identified.

Effect – Subrecipients may not be in compliance with the requirements of OMB and not be detected by the pass-through entity.

Questioned Costs – Unknown

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-20 (Continued)

Recommendation – In 2005, we recommended that a formal monitoring process be implemented to track subrecipients who have received federal funding and determine whether or not they have provided the necessary audit documentation. This would allow the State to monitor their subrecipients more closely and detect subrecipient noncompliance.

Auditee Contact – Janice Harper, Comptroller, Adjutant General's Department, State of Kansas

Agency Response/Corrective Action Plan (Unaudited) – Since 6/30/06, KDEM has taken corrective actions in response to audit finding 05-6 (insufficient monitoring of subrecipients for providing audit reports per OMB Circular A-133) including:

- Established an automated process which identifies subrecipients who have received payments from KDEM in excess of a specified amount for a specified calendar year;
- Established a process to send notification of audit requirements per OMB Circular A-133 to those subrecipients instructing them to provide a copy of their audit report or their basis for exemption to KDEM;
- Slightly revised the Public Assistance (PA) cover letter that is sent with PA payments to subrecipients to ensure the wording regarding OMB Circular A-133 audit requirements was accurate and clearly states the subrecipient should send a letter to KDEM if they are exempt from such requirements;
- Established a process for the KDEM Fiscal staff to review information received from subrecipients to detect subrecipient noncompliance and perform subsequent activity necessary to resolve identified deficiencies;
- Established a process for the PA staff to photocopy relevant pages of the audit reports for their applicant files;
- Established a spreadsheet for tracking the subrecipients who are sent the audit requirement notification to ensure a response is received and to make subsequent requests for information as necessary. The same spreadsheet is used to document information about the type of information received, the date received, the audit findings per the information received, the basis for exemption, etc.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-20 (Continued)

In late October 2006, KDEM staff started meeting to discuss how to implement the subrecipient audit notification and tracking processes. We were unable to meet prior to that as there had been several staff changes including the retirement of the Division Administrator in mid-October. Also, the PA Officer position, which had been vacant for several months, was not filled until August. Since the vast majority of our payments (based on payment volume and amount) are to subrecipients for PA, we thought it best to wait until that position was filled to proceed.

The corrective actions bulleted above were a result of those meetings. To identify the subrecipients whom we would send audit notification letters, we used \$500,000 for the specified amount and 2005 for the specified calendar year. We chose \$500,000 as the threshold assuming if KDEM had paid them subrecipient \$500,000, then the likelihood that the subrecipient had expended the same amount in a year was almost guaranteed. Since audit notification letters had not been sent before, we opted to be very conservative on the first round of notifications in case there were problems with the method we used for identifying the subrecipients or problems with the wording of our notification letter.

Using the \$500,000 threshold, 18 subrecipients were identified, most of whom received PA payments, a few received Hazard Mitigation Assistance payments. Of those 18 identified, 2 were state agencies and 2 had already provided financial statements to KDEM for 2005, so 14 audit notification letters were mailed in early December. To date, we have received a response (either financial statements or statement of exemption from A-133 requirements) from all subrecipients who were notified. With the exception of one subrecipient whose audit report will not be completed until mid-February, all subrecipients notified have provided the requested information. In addition to entering the information for the notified subrecipients into the tracking spreadsheet, we also entered the information for those subrecipients who were not notified but had already provided information. The tracking spreadsheet is on a network drive so it is accessible by the entire Division, however it is password-protected to help ensure information is not inadvertently corrupted.

Some portions of our corrective action plan as submitted on May 8, 2006 which are not yet fully-implemented, have not yet become necessary, have been revised, etc. include:

- To date, because all notified subrecipients have responded to our information request, it has not been necessary to re-request the audit information. When it becomes necessary, we anticipate the respective program manager will be responsible for such follow-up as per our original corrective action plan.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-20 (Continued)

- As per your recent recommendation and the success of our initial notification, we anticipate that we will decrease the dollar threshold used to identify subrecipients to whom we send audit notification letters. We will decrease the threshold to the lowest amount that seems to balance the need to ensure sufficient monitoring with practical limitations such as limited staffing and related costs.
- We will continue all corrective actions taken since 6/30/06.
- We plan on reviewing correspondence sent to subrecipients for all grant programs to ensure that discussion of OMB Circular A-133 audit requirements are appropriately included.
- We hope to expand the number of site visits/field audits completed to help ensure our subrecipients are more frequently audited on a recurring basis. Site visits/field audits will continue to be conducted as needed and as soon as possible after any non-compliance is detected. Currently we have limited staffing to complete site visits/field audits.
- Formal policies and procedures for our subrecipient monitoring remain to be written. This had not been previously done because we wanted to see how the process we used for the initial audit notification unfolded. The process used thus far seems to be working and will likely be the basis for the formal policies and procedures.

Finding No. 06-21 (Repeated from prior year Finding 05-5)

Federal Program – Homeland Security Cluster (CFDA No. 97.004 and 97.067), U.S. Department of Homeland Security, Kansas Highway Patrol

Condition – In our subrecipient monitoring testwork for the fiscal year 2005 audit, we noted that, with the exception of approving purchases made by subrecipients, the Kansas Highway Patrol had no formal subrecipient monitoring process in place to monitor the activities of its subrecipients. Certain aspects of our recommendation in 2005 were implemented however a written subrecipient monitoring policy has not been formulated.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-21 (Continued)

Criteria – Pass-through entities must establish a monitoring process that should include on-site visits and implementing procedures that would ensure “that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133, as revised) or more in Federal awards during the subrecipient’s fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient’s audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.”

Effect – Subrecipients may not have been properly monitored and evaluated.

Questioned Costs – None

Recommendation – The Kansas Highway Patrol needs to develop a policy for monitoring its subrecipients that includes regular on-site visits and ensuring that the required subrecipient audits were completed through such procedures as obtaining and reviewing copies of subrecipient audit reports for those subrecipients that met the audit requirements of OMB Circular A-133.

Auditee Contact – Captain Mark Bruce, Homeland Security Operations Commander, Kansas Highway Patrol

Agency Response/Corrective Action Plan (Unaudited) – The KHP included a Single Audit Certification Letter as an addendum to sub-recipient contracts. This letter required a sub-recipient to indicate whether or not they are subject to the provisions of OMB Circular A-133. KHP also recently developed an equipment-monitoring program that it will continue in the future. However, the KHP did not develop a written policy regarding the fiscal monitoring of its sub-recipients within the timeframe prescribed by your firm. That has since been corrected. Consequently, the KHP has now fully complied with all recommendations previously made by your firm.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-22

Federal Program – Food Stamps (CFDA No. 10.551), National School Lunch Program (CFDA No. 10.555), Special Supplemental Nutrition Program for Women, Infants and Children (CFDA No. 10.557), Child and Adult Care Food Program (CFDA No. 10.558), Section 8 Housing Assistance Payments Program – Special Allocations (CFDA No. 14.195), Community Development Block Grants/State's Program (CFDA No. 14.228), Unemployment Insurance (CFDA No. 17.225), Highway Planning and Construction (CFDA No. 20.205), Title I Grants to Local Educational Agencies (CFDA No. 84.010), Special Education - Grants to States (CFDA No. 84.027), Rehabilitation Services - Vocational Rehabilitation Grants to States (CFDA No. 84.126), Temporary Assistance for Needy Families (CFDA No. 93.558), Child Support Enforcement (CFDA No. 93.563), Child Care Mandatory and Matching Funds for the Child Care and Development Fund (CFDA No. 93.596 and 93.575), Foster Care -- Title IV-E (CFDA No. 93.658), Social Services Block Grant (CFDA No. 93.667), State's Children's Insurance Program (CFDA No. 93.767), Medical Assistance Program (CFDA No. 93.778), All Grant Awards

Condition – We noted that the *Cash Management Improvement Act Agreement between the State of Kansas and the U.S. Department of the Treasury* and the *Cash Management Improvement Act Annual Report Treasury State Agreement* were not reviewed by someone other than the preparer prior to submission to the federal government.

Criteria – The internal control process over information submitted to the federal government should include a level of review by someone other than the preparer prior to submission. This would enable the State of Kansas to detect potential errors or omissions and avoid possible future penalties.

Cause – The State's internal control process over the reports mentioned above does not include a level of review.

Effect – Errors or omissions could occur and be undetected by the State prior to submission.

Questioned Costs – Unknown

Recommendation – The State of Kansas should implement a level of review over the reports mentioned above in order to avoid potential errors or omissions.

Auditee Contact - Robert L. Mackey, Director of Accounts and Reports of the State of Kansas

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 06-22 (Continued)

Management's Response/Corrective Action Plan (Unaudited) – We agree that the review of the Treasury State Agreement and the CMLA Annual Report by an additional individual would enhance the overall process of submitting these two documents. Effective immediately, the Division of Accounts and Reports will require someone other than the preparer to review these two documents prior to the documents being submitted to the U.S. Department of the Treasury.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS

For the Fiscal Year Ended June 30, 2006

Finding No. 05-1

Federal Program – Medicaid Cluster (CFDA No. 93.775, 93.777, 93.778)

Condition – In our claims testwork during the fiscal year 2004 audit, we noted that the MMIS system contained no controls to limit the number of surface repairs paid per tooth to dentists. No similar issues were noted during current year claims testwork; however, as of June 30, 2005, no controls had been implemented.

Criteria – The MMIS system normally includes edits and controls that identify unusual items, including safeguarding unnecessary utilization of care or fraudulent claims, for follow up. The State utilizes the MMIS system to ensure proper payment of submitted claims.

Effect – A dentist may file an illegitimate claim for more surface repairs on a tooth than the number of surfaces that are actually on a tooth.

Questioned Costs – None.

Recommendation – In 2004, we recommended that the State implement controls in the MMIS system that limit the number of surface repairs a dentist can claim on a specific tooth letter or number.

Auditee Contact – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

Agency Response/Corrective Action Plan (Unaudited) – New MMIS Policies (E2005-34, 35, 36 and 37) include tooth surface limitations. The surface limitation portions for these policies are scheduled to be implemented in spring 2006.

Follow-up – The policies implemented during fiscal year 2006 (E2005-034, E2005-035, E2005-036, E2005-037) failed to create limitations on the number of tooth surfaces that may be billed per tooth. As a result, this finding is repeated and is reported as Finding 06-16.

STATE OF KANSAS
FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Finding No. 05-2

Federal Program – Medicaid Cluster (CFDA No. 93.775, 93.777, 93.778)

Condition – During the eligibility testwork, we noted that for one beneficiary of twenty-three tested, the 2005 application was not present in the beneficiary file. The most recent application is part of the required documentation in accordance with OMB Circular A-133 "Eligibility" compliance requirement.

Criteria – According to the OMB Circular A-133 *Compliance Supplement*, the State must "require a written application signed under penalty of perjury and include in each applicant's case records facts to support the agency's decision on the application". Although the beneficiary's eligibility was confirmed by other sources, each Medicaid beneficiary file should contain the most recent documentation for the eligibility determination.

Effect – Benefits could be provided to ineligible beneficiaries.

Questioned Costs – Unknown

Recommendation – We recommend that the State implement procedures that would include a detail review of all Medicaid beneficiary files to ensure that the files are complete and support eligibility determinations.

Auditee Contact – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Kansas Department of Social and Rehabilitation Services (SRS), Office of Audit and Consulting Services

Agency Response/Corrective Action Plan (Unaudited) –

Background:

This particular beneficiary is an SSI recipient and has been receiving Medicaid coverage under this category for several years. Although an SSI recipient does not need to recertify Medicaid eligibility annually, the initial application is to be retained in the case file. This application could not be located.

The medical case was initially open in the SRS Service Center. Case maintenance responsibility for the case was transferred to the HealthWave Clearinghouse in 2001.

We believe the root cause of the finding is related to the case transfer process. The corrective action plan is focused on evaluating and clarifying the case transfer protocol.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Finding No. 05-2 (Continued)

Process and Timeline:

1. By July 1, 2006 - Form a small workgroup to address the case transfer process. The workgroup will consist of central office staff from both DHPF and SRS, HealthWave Clearinghouse staff and SRS field staff.
2. By October 1, 2006 - The workgroup will review established policy and protocol regarding the case transfer process to determine possible areas of improvement, make recommendations for changes to the process and develop additional resources (such as forms or desk aids) to assist staff processing these cases.
3. By January 1, 2007 - Policies and procedures will be issued outlining protocol and expectations for both the sending entity and the receiving entity.

Follow-up - Our testwork for the year ended June 30, 2006 did not identify instances of noncompliance, therefore this finding will not be repeated for the fiscal year ending June 30, 2006.

Finding No. 05-3

Federal Program - Child Care and Development Block Grant Cluster (CFDA No. 93.575, 93.596)

Condition - For one of the five subrecipients selected for testwork, the most recent independent audit report had not been obtained by the State for review. As of June 30, 2005, the most recent audit report received for this subrecipient was for their fiscal year 2003.

Criteria - Per the OMB Circular A-133 *Compliance Supplement* and the State's Subrecipient Monitoring Policy, the State must obtain from their subrecipients the most recent independent audit report for review or perform alternative monitoring procedures such as requesting a copy of the most recent GAS (Government Auditing Standards) audit report or agreed-upon procedures report. The independent auditor report must be submitted to the State within nine months of grantee's fiscal year end.

Effect - Without the appropriate timely report, the State is unable to determine that all compliance aspects were met. Also, should the subrecipients not be in compliance with the grant agreement, without a timely report, the State is unable to take suitable action.

Questioned Costs - None.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Finding No. 05-3 (Continued)

Recommendation – We recommend that the State timely monitor subrecipient compliance with the submission of independent auditor reports.

Auditee Contact – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Kansas Department of Social and Rehabilitation Services (SRS), Office of Audit and Consulting Services

Agency Response/Corrective Action Plan (Unaudited) – The recipient in question received awards from SRS in the amount of \$367,130 for the award period of 7/1/04 through 6/30/05. Under the SRS Recipient Monitoring Policy, the recipient should have submitted an audit conducted in accordance with Government Auditing Standards.

The Office of Audit and Consulting Services as well as SRS program staff have responsibility for ensuring audit reports are submitted timely. The Office of Audit uses an Audit Tracking Module (ATM) to track independent audit reports and whether they are submitted timely. Letters are sent when audits are due and when they are late. The data about awards comes from the Procurements Services Unit (PSU) database of grants, contracts and providers agreements. In this particular instance, the PSU database and the ATM both showed that an award was not issued to the recipient for the year in question. However, detailed information in grant files at the program level did show that this award was indeed issued and an independent report should have been requested.

To resolve this problem, the Office of Audit and Office of Accounting and Administrative Operations will work together to determine solutions to the data entry issues with the PSU database. One option is to have an individual perform a quality control function monthly and check that data entered into the system matches award information sent from SRS program staff. Another option is to look at controls within the system itself and design them accordingly

Follow-up – The SRS Office of Audit and Consulting Services (OACS) continues to follow the SRS Recipient Monitoring Policy in determining independent audit reports that are due to the State. The Audit Tracking Module (ATM) tracks these reports and when they are due. OACS works closely with program staff to ensure that any new providers' data is entered into the ATM so that their audits can be requested on a timely basis. No instances of noncompliance were noted with the subrecipient monitoring process therefore this finding will not be repeated for the fiscal year ending June 30, 2006.

STATE OF KANSAS
FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Finding No. 05-4

Federal Program – Special Education Cluster (CFDA No. 84.027, 84.173)

Condition – The minimum amount required to be earmarked by the State for Local Educational Agencies (LEAs) based upon the relative population and poverty levels was not met.

Criteria – The OMB Circular A-133 *Compliance Supplement* specifies a minimum amount of funding that must be earmarked by the State for LEAs based on the LEA's student population and poverty level as a percentage of the total student population and poverty level of the State. This amount was determined by the United States Department of Education to be \$231,677 for the year ended June 30, 2005. The amount actually earmarked by the State of Kansas was \$231,502, which is \$175 less than the specified amount.

Effect – The affected LEAs are not being fully funded as stipulated by the OMB Circular A-133 *Compliance Supplement*.

Questioned Costs – None.

Recommendation – We recommend that the State monitor the amounts earmarked for special education and compare the amounts to the United States Department of Education grant award documents to ensure that minimum funding requirements are met.

Auditee Contact – Ron Nitcher, Director of Fiscal Services and Operations, Kansas Department of Education

Agency Response/Corrective Action Plan (Unaudited) – We have developed and implemented a corrective action plan to address this finding. In the future, our Student Support Services Team will compute each LEA's allocation. Once the allocations have been computed, they will be reviewed by our Fiscal Services Team to ensure that each LEA receives its relative share of the state's base allocation and population/poverty allocation. In addition, the Fiscal Services Team will verify that the total amount of the base and population/poverty allocations for all LEAs equal the amounts computed by the U.S. Department of Education. After ensuring these amounts are correct, the Fiscal Services Team will notify the Student Support Services Team that the allocations may be made available to LEAs. It is our intent to follow this corrective action plan for all future years' grant awards, beginning with our allocation for the 2006-07 school year.

Follow-up – The Student Support Services Team computed the 2006 LEA allocation. The Fiscal Services Team reviewed the allocation and ensured that the calculations were equal to the amounts computed by the U.S. Department of Education. This finding will not be repeated for the fiscal year ending June 30, 2006.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Finding No. 05-5

Federal Program – Homeland Security Cluster (CFDA No. 97.004 and 97.067)

Condition – The Kansas Highway Patrol is the pass-through entity for the Homeland Security Cluster. During our testwork, we noted that, with the exception of approving purchases made by subrecipients, no formal subrecipient monitoring process was in place to monitor the activities of its subrecipients.

Criteria – Per the OMB Circular A-133 *Compliance Supplement*, pass-through entities must establish a monitoring process that should include on-site visits and implementing procedures that would ensure “that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133, as revised) or more in Federal awards during the subrecipient’s fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient’s audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.”

Effect – Subrecipients may not have been properly monitored and evaluated.

Questioned Costs – None

Recommendation – The Kansas Highway Patrol needs to develop a policy for monitoring its subrecipients that includes regular on-site visits and ensuring that the required subrecipient audits were completed through such procedures as obtaining and reviewing copies of subrecipient audit reports for those subrecipients that met the audit requirements of OMB Circular A-133.

Auditee Contact – Captain Mark Bruce, Homeland Security Operations Commander, Kansas Highway Patrol

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS (Continued)

Finding No. 05-5 (Continued)

Agency Response/Corrective Action Plan (Unaudited) – The Kansas Highway Patrol (KHP) currently, by contract, obligates all subrecipients of Homeland Security Grant Program funds to comply with the organizational audit requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In the future, the KHP will include a Single Audit Certification Letter as an addendum to subrecipient contracts. This letter will require a subrecipient to indicate whether or not they are subject to the provisions of OMB Circular A-133. If they are, we will require them to provide us with a copy of their audit report within 30 days of its receipt. KHP staff will review the report and identify any findings or areas of concern. KHP staff will provide follow-up in this regard to ensure appropriate corrective actions are taken. Dependent upon the severity of problems identified in the audit, the KHP may freeze access to funding until corrective measures are employed.

The KHP recently developed an equipment monitoring program that will continue in the future. The first phase in this program involves a site visit by KHP staff. During this visit, recipients must produce all equipment with an original purchase price of \$500 or more. In the future, equipment accountability will be ensured through a combination of desk audits and site visits.

Follow-up – The KHP developed an audit certification letter as an attachment to their original subrecipient agreement that required subrecipients to indicate whether or not they are subject to the provisions of OMB Circular A-133. Site visits were also conducted by KHP staff. However, a written subrecipient monitoring policy had not been created. As a result, this finding is repeated for the fiscal year ending June 30, 2006 and is reported as Finding No. 06-21.

Finding No. 05-6

Federal Program – Public Assistance Grants (CFDA No. 97.036)

Condition – Twenty of twenty-three subrecipients selected for testwork did not submit an independent audit report or a letter stating they were not required to have an audit performed in accordance with OMB Circular A-133.

Criteria – According to the OMB Circular A-133 *Compliance Supplement* and the Kansas Department of Emergency Management (KDEM)'s internal subrecipient monitoring policy, the pass-through entity (the State) should receive audit reports from subrecipients required to have an audit in accordance with OMB Circular A-133, issue management decisions on findings related to the program, and require the subrecipients to take timely corrective action on any deficiencies identified.

STATE OF KANSAS
FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Finding No. 05-6 (Continued)

Effect – Subrecipients may not be in compliance with the requirements of OMB and not be detected by the pass-through entity.

Questioned Costs – None

Recommendation – A formal monitoring process should be implemented to track subrecipients who have received federal funding and determine whether or not they have provided the necessary audit documentation. This would allow the State to monitor their subrecipients more closely and detect subrecipient noncompliance.

Auditee Contact – Janice Harper, Comptroller, Adjutant General's Department, State of Kansas

Agency Response/Corrective Action Plan (Unaudited) – A formal monitoring process will be implemented to track whether subrecipients who have received federal funds from KDEM have provided the necessary audit documentation (independent audit report or a letter stating they are exempt from providing same) as required by OMB Circular A-133. While only the Public Assistance grants were audited, KDEM is a pass-through entity of federal funds for several other grants. The monitoring process has been designed to ensure we meet subrecipient monitoring requirements for all such grants.

While some details have not yet been determined, the monitoring process should be substantially similar to the following:

- If the entity receiving pass-through federal funds is **another state agency**, an independent audit report or letter stating they are exempt from providing same will not be required since another state agency is not a subrecipient but rather a transferee.
- If the entity receiving pass-through federal funds is a **county**, an independent audit report or letter stating they are exempt from providing an audit report will be required. Counties will be directed to forward the report or letter to the KDEM Fiscal Office. The KDEM Fiscal staff will:
 - ✓ log receipt of the audit report or exempt letter and related information into a spreadsheet viewable by all KDEM staff;
 - ✓ review the audit reports to detect subrecipient noncompliance and perform subsequent activity necessary to resolve any identified deficiencies.

STATE OF KANSAS
FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Finding No. 05-6 (Continued)

The respective Program Managers will be responsible for contacting subrecipients to re-request an audit report or exempt letter if not timely provided to KDEM.

- If the entity receiving pass-through federal funds is a **local unit of government other than a county**, an independent audit report or letter stating they are exempt from providing an audit report will be required. Non-county local units of government will be directed to forward the report or letter to the KDEM Public Assistance Office. The KDEM Public Assistance staff will:
 - ✓ photocopy a page from the audit report which reflects the period covered by the audit report or exempt letter to include in the applicant's folder;
 - ✓ log receipt of the audit report or exempt letter and related information into a spreadsheet viewable by all KDEM staff;
 - ✓ contact subrecipients to re-request an audit report or exempt letter if not timely provided to KDEM;
 - ✓ forward the audit report or exempt letter to the KDEM Fiscal staff. Fiscal staff will review the audit reports to detect subrecipient noncompliance and perform subsequent activity necessary to resolve any identified deficiencies

We anticipate this monitoring process will be in effect by June 1, 2006.

Follow-up – As of June 30, 2006, KDEM had begun formulating a formal monitoring process but had not fully implemented the process. As a result, this finding is repeated for the year ending June 30, 2006 and is reported as Finding 06-20.

Finding No. 03-10

Federal Program – Disability Insurance/SSI Cluster (Disability Determination Services), CFDA No. 96.001/96.006)

Condition – In October 2002, the Social Security Administration's Office of the Inspector General performed an audit of the State of Kansas' Disability Determination Services program. This review cited known questioned costs of \$201,218 related to unallowable costs, which have been refunded to the Social Security Administration, and disputed questioned costs of \$4,923,606 related to indirect costs inappropriately charged to the program.

STATE OF KANSAS
FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Finding No. 03-10 (Continued)

Cause – According to the Office of Inspector General, the questioned costs were caused by “incorrect indirect cost allocations, inappropriate non-SSA work cost charges, and inaccurate other nonpersonnel costs.”

Effect – The State of Kansas has refunded \$201,218 of the unallowable costs to the Social Security Administration. The disputed questioned costs related to the indirect costs are currently under appeal with the Department of Health and Human Services (HHS).

Questioned Costs – \$201,218 known questioned costs, \$4,923,606 disputed questioned costs

Recommendation – The State should implement the procedures recommended by the Office of Inspector General to ensure future unallowable costs do not occur. The State is currently awaiting the outcome of their appeal to HHS regarding the indirect costs

Follow-up – As of June 30, 2006, the State is still awaiting the outcome of their appeal to HHS regarding the indirect costs. As a result, this finding is repeated for the year ended June 30, 2006 and is reported as Finding 06-19.